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# FINANCIAL TIMES

No. 27,563

Tuesday May 23 1978

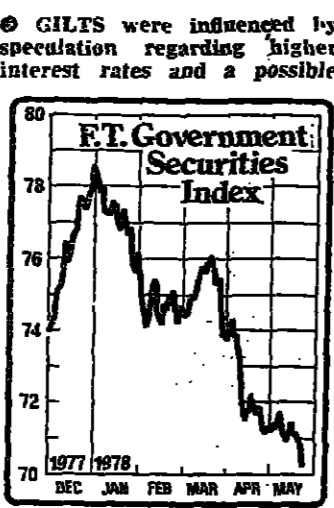
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## NEWS SUMMARY

**GENERAL**  
**S. Africa security bureau move**  
South Africa is to introduce a Bill to regulate the organisation and control of the Bureau for State Security, whose existence was disclosed in 1969 when it became an offence under the Official Secrets Act to reveal anything about it.  
No details were given of the Bill, but at the same time Dr. Connie Mulder, Minister of Public Relations, announced that South Africa was scrapping the word "Bantu" in all official documents. The name of Dr. Mulder's department was changed earlier this year from "Bantu Affairs." Page 4



**Sadat wins vote**  
President Sadat of Egypt won a 92.2 per cent referendum vote in favour of plans to curb extremists of the Left and Right, ban Communists from official life and discipline the Press. Page 4; Editorial comment Page 22

**Killer goes wild**  
David Berkowitz, the "Son of Sam" killer, went berserk in a Brooklyn courtroom, forcing the New York judge to postpone sentencing for six murders until June 12. Berkowitz, who screamed that his last victim was a whore, tried to leap through a seventh-floor window on his way to court.

**Award for ideals**  
Mr. James Callaghan is to receive the first Hubert H. Humphrey international award in New York on June 26. The award, from the National Committee on American Foreign Policy, goes to the statesman whose vision of relations approximates most closely to the ideals of the late former Vice-President.

**Boat accident**  
Two bodies were recovered by police divers after a U.S. support vessel overturned on the River Waveney at St. Olave's, near Great Yarmouth. The boat had been involved in the attempt to salvage the bow section of the stricken oil tanker Eleni V off the East Anglian coast.

**Rippon in bloom**  
A fragrant miniature rose with salmon pink flowers, named after newspaper editor Angela Rippon, and a deep yellow Judy Garland rose are among exhibits at the Chelsea flower show, which opens for private view today.

**Machine union acts**  
Machine minders, whose unofficial action hit the Observer on two successive Sundays, will not work for the newspaper again, their union, the National Graphical Association, decided after a management demand for a guarantee of uninterrupted production. Page 9

**Labour's lead**  
Labour has a 4.9 per cent lead over the Tories, according to a National Opinion Poll in today's Daily Mirror. It says that 55 per cent of the electorate are satisfied with Mr. Callaghan as Premier, while only 38 per cent are happy with Mrs. Thatcher.

**Tory pledge**  
A Conservative Government would restore full comparability to Service pay next year, Sir Ian Gilmour, the party's defence spokesman, told the Commons. MPs rejected by 251 to 267 a Tory move to halve the Defence Secretary's salary. Page 9

**Briefly...**  
Spanish hotel workers signed a wages agreement and promised that there would be no more strikes this season. Page 2  
Two Bangladeshi crew members from the cargo ship Bangla Maan were taken to Penryn police station, Cornwall, after police action against an investigation report of a mutiny.  
West Bromwich Albion beat hampshire City 2-0 in the third successive win of their Chinese manager.

**Chief price changes yesterday**  
Prices in pence unless otherwise indicated  
**RISES**  
Albury 100 + 10  
Actor Products 128 + 4  
Aspire Resources 610 + 56  
Cables (UK) 584 + 12  
Cabletel 1125 + 8  
Cablevision 334 + 19  
Cablevision 138 + 5  
**FALLS**  
War Loan 31pc 2311 - 4  
Aron Rubber 210 - 5  
Banc Charrington 161 - 5  
Beecham 633 - 5  
Coral Leisure 103 - 5  
Greenall Whitley 112 - 5  
Ladbroke 270 - 5  
Lloyds Bank 300 - 5  
Metal Box 288 - 7  
NatWest 170 - 8  
Newmark (L) 170 - 8  
Whessoe 75 - 8  
WH South 124 - 4  
Western Mining 98 - 4

## Volvo to be joint concern with 40% Norwegian stake

BY WILLIAM DULLFORCE: STOCKHOLM, May 22

Volvo, the Swedish car manufacturer, is being re-organised as a joint Swedish-Norwegian company with a 40 per cent Norwegian holding.

The Norwegian Government will guarantee a SKr 750m (£88m) investment in the share capital of the new company under an "agreement in principle" announced simultaneously today in Stockholm and Oslo.  
The company is to develop and produce aluminium and plastic components for automobiles in Norway and will "localise manufacturing of a certain new car model" there. The head office of Volvo Penta is to be moved to Norway, where a new series of marine diesel engines will be developed and produced.  
Swedish Volvo will establish an oil company which will be granted North Sea exploration rights under the fourth concession round for which the Norwegian Government is now accepting bids.  
These are the highlights of the agreement which Mr. Pehr Gyllenhammar, Volvo's managing director, said would strongly reinforce the company's capital base, give it a development potential which it would not otherwise have had and allow it to invest in new techniques. It implied a switch from a defensive to an offensive posture for Volvo.  
Volvo's surprise move comes nine months after the collapse of its merger talks with Saab-Scania, the other Swedish car and lorry maker. It will put a stop to rumours that Volvo was seeking co-operation with a foreign car maker.  
Norway will obtain 40 per cent of the stock in return for an investment of SKr 750m. It shares will be offered on the Oslo stock exchange with the Norwegian Government guaranteeing to take up any that are unsold.  
Mr. Gyllenhammar thought about half the shares would be sold to private investors but a Norwegian stockbroker expected that most would have to be bought by the Norwegian Government, at least initially.  
In January, Norsk Hydro postponed talks for a new share issue because of the state of the market. It is likely therefore that the Norwegian State will become the largest shareholder.

## Compensation delays cut Vickers investment

BY BARRY RILEY

THE VICKERS engineering group is cutting projected capital spending for 1978 from £30m to about £20m because of delays in receipt of nationalised compensation for its 50 per cent stake in British Aircraft Corporation and its formerly wholly-owned shipbuilding subsidiary.  
Lord Robens, chairman of Vickers, described as "scandalous" yesterday the treatment of the company by the Government.  
"It was a private enterprise dealing with a private enterprise, someone would have been in the courts by now," he said in London.  
Vickers was the only company to have had two large slices of its business taken away. Continuing uncertainty made it impossible to raise money by other means, such as through a rights issue. "Attlee would never have allowed a Government to behave in this way," said Lord Robens, who was Minister of Labour from 1964 to 1969.  
Vickers has still not received, through its stockholders' representatives, any initial Government offer of compensation for its aircraft and shipbuilding interests which were nationalised, respectively, on April 29 and July 1 last year, and carry a book value in the accounts of £87.6m.  
Asked what amount the company would accept, Lord Robens said that £150m would be a fair offer.  
In his annual report to shareholders, published today, Lord Robens states that the group's investment programme, designed to develop existing business and to replace nationalised operations, is being slowed down.  
"Our ability to sustain these objectives and initiate further plans is now constrained by the delay in the commencement of negotiations and the Government declining to make available to us any reasonable sums of money by way of payments on account."  
"At a time when Government is urging businesses to invest and is concerned at the high level of unemployment, it seems incredible that it should withhold payments for assets forcibly removed and so frustrate the very policy it is pursuing," Lord Robens states.  
It was disclosed yesterday that Vickers is delaying planned extensions of capacity at its successful lithographic printing subsidiary, Howson-Atrophy.  
Existing plant is worked on a four-shift basis, seven days a week without new investment there is little scope for further increases in output. Spending plans are being deferred until the group's cash position becomes clearer.  
Vickers is concerned that even when Government compensation offers are forthcoming the likely outcome will be that in the absence of agreement the terms go to arbitration.

## Whitehall bunched spending

BY DAVID FREUD

GOVERNMENT spending accelerated at the end of the 1977-78 financial year as departments hastened to use up their cash limits, the Treasury admitted yesterday.  
This contributed to the 31 per cent jump in money supply in the banking month to mid-April, announced last week. The predominant factor in the increase was public sector borrowing, accounting for 61 per cent of the £1.1bn rise in sterling M3.  
However, the Treasury is reluctant to take measures to stop the bunching of spending.  
Sir Anthony Rawlinson, Second Permanent Secretary of the Treasury, appearing as a witness before the general subcommittee of the Commons Expenditure Committee, said he was cautious about ordering measures to stop the practice.  
"From a management point of view we would like to see expenditure flow smoothly through the year," he said.  
However, from the monitoring figures already analysed there was evidence of a "considerable acceleration in spending at the end of the year."  
He added: "This isn't always wrong or reprehensible, but it certainly happened."  
There were three main reasons for the end-of-year acceleration. The first was the discipline of the cash limit. "It's a very natural thing if you are managing a programme to go cautiously in the early months of the year and then, when you see how things are going, to move forward faster in the last month."  
Another factor was the end of the financial year, when bills from companies were presented and paid.  
Finally, it was a time at which programme managers ordered their stores. "Managers may keep their orders till later when they know what their position is."

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## GDP up 1% in first quarter

BY MICHAEL BLANDEN

ECONOMIC activity picked up significantly in the first three months of this year, according to the latest figures published by the Central Statistical Office.  
The index of Gross Domestic Product is provisionally estimated at 112.1 (at 1970 prices and seasonally adjusted). This is about 1 per cent higher than in the final quarter of last year.  
The growth is mainly a direct reflection of the increase in the level of industrial output, which has already been indicated by

### GROSS DOMESTIC PRODUCT

(based on output data, 1970=100, seasonally adjusted)

1973	110.7
1974	109.6
1975	107.4
1976	108.7
1977	110.4
1978 1st	108.1
2nd	108.4
3rd	108.3
4th	110.2
1977 1st	110.6
2nd	109.5
3rd	110.6
4th	110.8
1978 1st	112.1*

\* Preliminary estimate.  
Source: Central Statistical Office.

The 1.6 per cent growth in the industrial production index published earlier this month.  
The figure also reflects a higher level of activity in the distributive trades and in the transport and communication industries.  
The signs of a pick-up in activity have been supported by the recent indications of an increase in business in the retail trade and a rise in consumer spending.  
The latest figures of consumers' expenditure showed the January-March total to be some 2 per cent up on the final three months of last year, a recovery confirmed by a clear upward trend in retail sales.  
The GDP figure published yesterday is based on output data, and particularly the index of industrial production.  
There are two other measures of GDP, based on expenditure and income data, which in the short term can differ quite significantly.  
The output figure is normally regarded as the most reliable pointer to short-term trends.  
The indicators so far this year have suggested that the growth shown by the output-based index may be confirmed by the other indices when they are published next month.

## Belgians face breach with Mobutu

BY DAVID BUCHAN

BRUSSELS, May 22.

BELGIUM and Zaire seemed on the brink of a diplomatic rupture tonight after today's personal attack by President Mobutu of Zaire on Mr. Henri Simonet, the Belgian Foreign Minister.  
This threw into confusion another Belgian Cabinet session tonight which decided to recall tomorrow half the 1,200 Belgian troops from Zaire.  
Mr. Leo Tindemans, the Belgian Prime Minister, said later the remaining 600 troops would remain in Kamina "for an indefinite period" or until security was established in the area.  
Mr. Tindemans reported that 2,155 white Europeans had been airlifted out of Kolwezi. By tonight 1,902 had arrived in Brussels.  
President Mobutu was reported by the Zaire State news agency AZAP to have forbidden his diplomats any contact with Mr. Simonet, "whatever the consequences."  
Two accusations in the AZAP report were that Mr. Simonet's earlier contacts with the Congolese National Liberation Front made to seek a peaceful evacuation, amounted to recognising the rebel movement, and that Mr. Simonet had personally delayed for 24 hours an answer to Gen. Mobutu's request for a Belgian military operation.

### Aftermath of the massacre

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Copper market fears, Page 39

trate on economic problems, but these have been overshadowed by the situation in Zaire and the French and Belgian military operation. President Mobutu is expected to attend tomorrow.  
The proposal for setting-up of some kind of Africa-wide military force to resist external aggression was tentatively made last week by President Bongo of Gabon, current chairman of the Organisation of African Unity.  
It was also mooted by M. Giscard, and President Houphouet-Boigny of the Ivory Coast, during the French President's State visit to the Ivory Coast earlier this year.  
The growing threat to security of African countries was stressed by both M. Giscard and by President Eyadema of Togo, speaking on behalf of all the African States present, in their opening statements today.  
The French President said that when the African States obtained their independence France considered that her only objective in Africa was to provide economic aid. But in the last few years she had been increasingly asked for military help by weakly armed African States which were the victims of outside aggression.  
In Parliament Mr. Ted Rowlands, Foreign Office Minister of State, said that five Britons must be presumed to have been among those murdered in Kolwezi.  
David Bell reports from Washington: President Carter has said that the U.S. involvement in Zaire is "just about over." Reports said that far more Americans were on the ground for U.S. mercy ditches than had been officially stated.

### Antipathy

M. Simonet has been careful all through the Shaba crisis to distance himself from the Mobutu regime, and has stressed that the mission of Belgian troops in Shaba is quite different from that of the French. His Socialist Party, second biggest in the Belgian Government, has displayed a considerable antipathy to the Zaire Government.  
The Belgian Foreign Ministry has strongly denied the Mobutu accusations, and one official today described the Zairean President as "an expert on playing on the differences in internal Belgian politics."  
Mr. Tindemans had earlier justified to Parliament the Belgian operation in Kolwezi, and sought to explain that the reasons for any delay were outside Belgium's control.  
The operation had depended upon U.S. aircraft pre-positioning fuel in Shaba Province. Nevertheless Opposition leaders strongly criticised the Belgian Government, and said that what had been needed was "rapid and discreet" action.  
Some skirmishing between rebels and Belgian and French paratroopers still apparently continued today, amid reports that another column of rebels was retreating toward Angola, taking white hostages with them.

### £ in New York

	May 23	Previous
Spot	\$1.630-5145	\$1.6285-8105
1 month	0.55-0.47 4/8	0.54-0.41 1/8
3 months	1.35-1.27 1/8	1.34-1.25 1/8
12 months	5.95-5.70 1/8	5.75-5.60 1/8

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## EUROPEAN NEWS

### Dutch Government puts forward new works council plan

By MICHAEL VAN OS

AMSTERDAM, May 22

A DRAFT BILL for revamping industrial democracy in the Netherlands has been submitted to Parliament by the Dutch Cabinet. The plan essentially is to create a new works council which, according to drafters of the Bill, will give the councils "more independence". However, should a council meeting be taking important decisions, the director will be allowed to attend and speak, but not vote. A separate body, the so-called "consultative meeting" will be created to comprise the works council and the company director as its chairman. This would meet before the works council takes independent decisions. Another change is that proposed, current or former council members would not be dismissed for a period of two years. The members of new councils would have to be formally elected.

The draft Bill, which is expected to be approved in the House with only minor changes, is broadly similar to the previous left-of-centre coalition Government's proposals, which constituted one of its major social reform plans. Initial reaction to the draft Bill from all sides except for the employers' organisation (VNO) is mildly favourable. The VNO's main criticism concerns the raising of the new councils' competence to include judgment on investments and acquisitions, not least because of the fear of abuse of information.

The original plans by the former Cabinet had not allowed the director to be present at council meetings and included appeal possibilities against directors' appointments. The criticism that the new draft Bill would add to increased polarisation between employers and employees has now lessened.

to raise the powers of the existing works councils, which every company with more than 100 employees should have.

According to the draft Bill, advice must be sought from works councils on matters such as mergers, acquisitions (including foreign ones if they affect domestic employment), closures and the appointment of directors. In every case except for the appointment of directors, the councils can appeal to the special corporate section of the District Court if they disagree with a management decision. Prof. Willem Albeda, the Minister of Social Affairs, has said that the District Court will not be able to rule on whether a proposed director is suitable but that in practice his appointment would not be very likely if a

### Polio hits religious groups

By CHARLES BATCHELOR

AMSTERDAM, May 22

AN OUTBREAK of polio in several religiously strict Dutch communities opposed to vaccination has affected 11 young people. A further three suspected cases are under observation. The confirmed cases, children aged 2-14, and a young woman of 22, are suffering from partial paralysis, the Health Ministry said.

The outbreak, the first major one since 1971, started in small communities in central and eastern Holland where the population belongs to the Reformed Church. The health authorities have begun a programme to distribute polio vaccine on sugar cubes to the affected communities but many parents refuse to allow their children to be vaccinated on religious grounds.

Holland must expect these outbreaks, although the health authorities will continue to advise parents to have their children vaccinated, a senior ministry official said. About 95 per cent of young children in most of Holland are vaccinated, but in one of the affected communities the figure was only 41 per cent. Religious groups had a routine vaccination programme since 1957, one year after an epidemic affected 2,300 people.

### Swiss bank secrecy rules defended

By John Wicks

ZURICH, May 22

A PROPOSAL by Switzerland's Social Democratic Party to subject banking to tighter controls is "a danger for the Swiss economy," it is claimed by the country's Bankers' Association.

The body was commenting on a referendum motion passed by the party congress in Basle this week-end.

The proposal, while it does not foresee the abolition of banking secrecy in principle, has been criticised by the international financial community. One aspect is the sheer size of the debt—at some \$150bn more than five times that of, for example, Zaire—so that a large number of people are affected.

The question to which an answer has had to be found is its unsatisfactory maturity structure. A high proportion of Turkey's debts have been short-term—many of the payments being bunched together last year and this year. By the end of last year, Turkey had already defaulted on \$2.5bn of debt, most of it owed to suppliers rather than banks or governments.

This year a further \$2.5bn, has to be repaid, most of it to commercial banks.

The ground rules for debt restructuring established by the international banking system, particularly in the case of Zaire, meant that before the commercial banks would act Turkey had to reach agreement with the IMF on an economic programme preparatory to drawing from that institution.

Agreement has been reached with the IMF for a stand-by arrangement authorising Turkey to borrow up to the equivalent of SDR 300m over the next two years in support of the programme of economic adjustment adopted by the Government of Turkey. In addition, the borrowing of the equivalent of SDR74.5m has been approved under the Fund's compensatory financing facility. The World Bank has decided to double its project credits to Turkey and provide loans for the financing of critical imports.

These sums are not negligible, but can cover only a small proportion of Turkish needs. The most important point about the IMF agreement was that it opened the way to formal negotiations with the commercial banks.

These have proceeded rapidly, although they are not expected to meet the June deadline quoted by the Government for the restructuring operation. A committee of eight banks—those with the largest commitment in Turkey, who between them account for more than a quarter of the \$2.5bn debt being restructured—has been formed.

Their representatives have reached basic agreement on what needs to be done, and their proposals are currently awaiting approval from the main credit committees in each of the eight banks. The most important point about the submitted to the other 200 odd commercial banks with money at risk in Turkey.

There is optimism in the Turkish Central Bank at least that the restructuring plan will meet with universal agreement, though opinions vary within the co-ordinating group. One view is that given Turkey's economic problems there actually is not much choice for the banks, which

have about \$2bn in the so-called extension would apply to deposits which matured last year (some \$400m) but could not be paid off. At the end of the third year after extension, 25 per cent of each deposit would mature, and a further 25 per cent would do so in each subsequent year. This programme presupposes that within three years the Turkish economy will stabilise and that creditors may wish to keep their suppliers' credit instead of withdrawing them.

The matter of the interest to be paid on the extended deposits has not yet been resolved. Repayment will be made in the currencies in which the deposits were made. The convertible Turkish lira accounts scheme will remain in effect unaltered.

The \$2.5bn restructuring will not even cover the amounts due to be paid to commercial banks by the end of this year. It leaves completely open the question of overdue suppliers' credits. The precise amount involved under this head are by no means clear—not least because some of the \$2.5bn, nominally overdue by the end of last year, as far as Turkey was concerned, had in fact been covered by Turkish businessmen from funds they held abroad.

It is thought to be sub-Mr. Bulent Ecevit, deteriorated, proved near-fatal. Not only was the high interest rate costly, but the deposits were almost all short-term, the overwhelming bulk under one year. Thus the Central Bank gradually found maturing project credits to Turkey and provide loans for the financing of critical imports.

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### Rise of £27 for Malaga hotel staff

Hotel workers on the Costa del Sol signed a new agreement with employers yesterday to end a two-month dispute which had jeopardised the Spanish holidays of thousands of tourists. Reuter reports from Malaga, the workers whose strike left holidaymakers making their own beds and eating cold meals earlier this month, promised no further strikes this season in return for a 10 per cent pay rise for hotel staff.

Hotellers said the agreement could force some establishments to close.

### Malta merger

A merger between Mr. Dom Mintoff's ruling Labour Party and the General Workers' Union of 20,000 was completed when union delegates approved by acclamation the necessary changes in the union's statute. Godfrey Grima reports from Valletta, the liaison committee from both sides will monitor implementation of the jointly formulated Labour Party manifesto.

### Orly security

French police are to step up security at Orly Airport after the weekend shooting in which three Arab gunmen and one policeman were killed. Reuter reports from Paris, M. Paul Roux, police chief of Orly, said yesterday an extra company of about 100 security police would arrive to reinforce the 650 civil and military police who patrol the airport.

### Rome explosions

Bomb attacks on the Italian Justice Ministry and four other targets in Rome and Milan, caused serious damage but no injuries, Reuter reports from Rome. A parcel bomb was dropped at the entrance to the Justice Ministry. It shattered windows and blew up telephone cables.

### Glstrup wins appeal

The Danish High Court yesterday over-ruled orders by a lower court confiscating five houses and assets of Mr. Mogens Glstrup, the leader of Denmark's anti-tax party, for alleged tax evasion. Reuter reports from Copenhagen.

### New friendship chief

Herr Erich Mueckenberger, a member of the East German Politburo, was elected president of the Society for German-Soviet Friendship. Reuter reports from East Berlin.

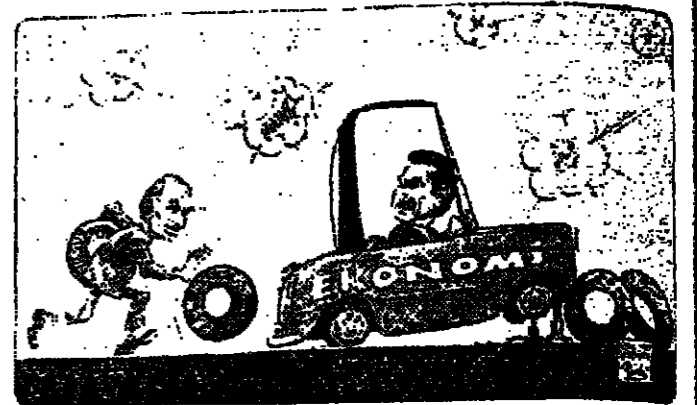
### Travel agency bombed

A bomb exploded yesterday in a Paris travel agency which is specialising in trips to Argentina for the World Cup soccer championships. Reuter reports.

## OECD TALKS ON TURKISH DEBT

# Payment postponed

By MARY CAMPBELL IN LONDON AND METIN MUNIR IN ANKARA



Turkey's economy as seen by the newspaper Milliyet: Finance Minister Muekenberger rolling up help for Prime Minister Ecevit.

THE AGREEMENT to reschedule the \$1.5bn of short-term debt owed by Turkey to official institutions overseas marks the third leg in Turkey's long protracted debt restructuring negotiations. The agreement, which also includes debt guaranteed by public bodies overseas, was reached last weekend at a meeting of the working party of 14 OECD countries in Paris. It is a framework within which individual countries will make independent bilateral agreements with the Turkish Government on detailed implementation.

In the last couple of years Turkey's debt problem has become one of the most formidable ever faced by the international financial community. One aspect is the sheer size of the debt—at some \$150bn more than five times that of, for example, Zaire—so that a large number of people are affected.

The question to which an answer has had to be found is its unsatisfactory maturity structure. A high proportion of Turkey's debts have been short-term—many of the payments being bunched together last year and this year. By the end of last year, Turkey had already defaulted on \$2.5bn of debt, most of it owed to suppliers rather than banks or governments.

This year a further \$2.5bn, has to be repaid, most of it to commercial banks.

The ground rules for debt restructuring established by the international banking system, particularly in the case of Zaire, meant that before the commercial banks would act Turkey had to reach agreement with the IMF on an economic programme preparatory to drawing from that institution.

Agreement has been reached with the IMF for a stand-by arrangement authorising Turkey to borrow up to the equivalent of SDR 300m over the next two years in support of the programme of economic adjustment adopted by the Government of Turkey. In addition, the borrowing of the equivalent of SDR74.5m has been approved under the Fund's compensatory financing facility. The World Bank has decided to double its project credits to Turkey and provide loans for the financing of critical imports.

These sums are not negligible, but can cover only a small proportion of Turkish needs. The most important point about the IMF agreement was that it opened the way to formal negotiations with the commercial banks.

These have proceeded rapidly, although they are not expected to meet the June deadline quoted by the Government for the restructuring operation. A committee of eight banks—those with the largest commitment in Turkey, who between them account for more than a quarter of the \$2.5bn debt being restructured—has been formed.

Their representatives have reached basic agreement on what needs to be done, and their proposals are currently awaiting approval from the main credit committees in each of the eight banks. The most important point about the submitted to the other 200 odd commercial banks with money at risk in Turkey.

There is optimism in the Turkish Central Bank at least that the restructuring plan will meet with universal agreement, though opinions vary within the co-ordinating group. One view is that given Turkey's economic problems there actually is not much choice for the banks, which

have about \$2bn in the so-called extension would apply to deposits which matured last year (some \$400m) but could not be paid off. At the end of the third year after extension, 25 per cent of each deposit would mature, and a further 25 per cent would do so in each subsequent year. This programme presupposes that within three years the Turkish economy will stabilise and that creditors may wish to keep their suppliers' credit instead of withdrawing them.

The matter of the interest to be paid on the extended deposits has not yet been resolved. Repayment will be made in the currencies in which the deposits were made. The convertible Turkish lira accounts scheme will remain in effect unaltered.

The \$2.5bn restructuring will not even cover the amounts due to be paid to commercial banks by the end of this year. It leaves completely open the question of overdue suppliers' credits. The precise amount involved under this head are by no means clear—not least because some of the \$2.5bn, nominally overdue by the end of last year, as far as Turkey was concerned, had in fact been covered by Turkish businessmen from funds they held abroad.

It is thought to be sub-Mr. Bulent Ecevit, deteriorated, proved near-fatal. Not only was the high interest rate costly, but the deposits were almost all short-term, the overwhelming bulk under one year. Thus the Central Bank gradually found maturing project credits to Turkey and provide loans for the financing of critical imports.

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## UNION DE BANQUES ARABES ET FRANÇAISES - U.B.A.F. BALANCE SHEET AS AT 31.12.1977 (IN FRENCH FRANCS)

ASSETS	1976	1977
Cash in hand, with Banks of issue	11,380,481	2,456,840
Balances with Banks and non-banking Institutions admitted to the money market	8,620,068,953	9,160,995,087
Treasury bills and securities received as collateral or paid in cash	126,000,000	150,000,000
Credit to customers - Bills of exchange	1,033,402,015	2,340,179,567
Credit to customers - Overdrafts	227,308,440	561,370,856
Suspense accounts and sundries	483,232,141	627,324,036
Sundry debtors	6,537,323	18,100,897
Liabilities of customers for acceptance as per contra	21,806,018	27,223,944
Securities portfolio	78,708,440	120,229,659
Investments in affiliates and participations	119,272,714	122,529,150
Fixed assets	4,799,327	7,934,804
<b>Total Assets</b>	<b>10,732,515,852</b>	<b>13,138,344,840</b>
LIABILITIES	1976	1977
Balances of Banks of issue, other banks and non-banking Institutions admitted to the money market	9,085,436,080	11,090,853,934
Company and sundry accounts	608,397,226	460,686,808
Private accounts	7,538,101	34,167,179
Suspense accounts, provisions and sundries	581,146,171	849,138,788
Sundry creditors	23,341,556	30,544,704
Acceptances for accounts of customers as per contra	21,806,018	27,223,944
Debentures convertible into shares	100,000,000	100,000,000
Floating rate notes	124,243,750	352,875,000
Legal reserve	10,627,506	13,127,259
Other reserve funds	19,979,444	29,727,224
Capital	150,000,000	150,000,000
<b>Total Liabilities</b>	<b>10,732,515,852</b>	<b>13,138,344,840</b>

The Ordinary General Assembly of the Union de Banques Arabes et Françaises - U.B.A.F. - during its meeting of April 25, 1978 at the Head Office at Neuilly-sur-Seine has unanimously approved the accounts of the financial year ending 31.12.1977 noting that the financial year resulted in a net profit of FF. 24,897,534 against FF. 21,381,374 for the previous year and fixed the total dividend at FF. 12,750,000 against FF. 11,333,200 in 1976.

In accordance with paragraph 3 of Article 22 of the Articles of Association, the Ordinary General Assembly renewed the terms of office of Arab Bank Limited represented by Mr. Abdul Majed SHOMAN, Libyan Arab Foreign Bank represented by Mr. Abdallah SAUDI, Mr. Tannaguy de FEUILLEADE de CHAUVIN and Mr. Gérard GERVAIS, and, in accordance with Article 30 of the Articles of Association, renewed the mandate of the following members: Banque Générale du Maroc and Central Bank of Somalia.

## NOTICE OF REDEMPTION

To the Holders of

## GOULD INTERNATIONAL, INC.

9 3/4 % Guaranteed Notes Due 1983

Issued under Indenture dated as of June 15, 1975

NOTICE IS HEREBY GIVEN that pursuant to the provisions of the above-mentioned Indenture, \$625,000 principal amount of the above described Notes has been selected by lot for redemption on June 15, 1978 at the principal amount thereof together with accrued interest to said date, as follows:

NOTES OF \$1,000 EACH																
M 360	1805	2882	3701	4636	5888	7036	8121	9383	10295	11580	12756	15114	17471	19744	21867	23514
425	1328	2358	3276	4258	5298	6314	7314	8298	9283	10283	11283	12283	13283	14283	15283	16283
447	1522	2600	3561	4544	5514	6478	7434	8383	9343	10343	11343	12343	13343	14343	15343	16343
469	1716	2794	3755	4738	5708	6672	7628	8583	9543	10543	11543	12543	13543	14543	15543	16543
491	1910	2988	3949	4932	5902	6866	7822	8783	9743	10743	11743	12743	13743	14743	15743	16743
513	2104	3182	4143	5106	6069	7032	7988	8943	9903	10903	11903	12903	13903	14903	15903	16903
535	2298	3376	4337	5298	6259	7220	8176	9133	10093	11093	12093	13093	14093	15093	16093	17093
557	2492	3570	4531	5492	6453	7414	8370	9327	10287	11287	12287	13287	14287	15287	16287	17287
579	2686	3764	4725	5686	6647	7608	8564	9521	10481	11481	12481	13481	14481	15481	16481	17481
601	2880	3958	4919	5880	6841	7802	8758	9715	10675	11675	12675	13675	14675	15675	16675	17675
623	3074	4152	5113	6074	7035	8000	8956	9913	10873	11873	12873	13873	14873	15873	16873	17873
645	3268	4346	5307	6268	7229	8190	9146	10103	11063	12063	13063	14063	15063	16063	17063	18063
667	3462	4540	5501	6462	7423	8384	9340	10297	11257	12257	13257	14257	15257	16257	17257	18257
689	3656	4734	5695	6656	7617	8578	9534	10491	11449	12449	13449	14449	15449	16449	17449	18449
711	3850	4928	5889	6850	7811	8772	9728	10685	11643	12643	13643	14643	15643	16643	17643	18643
733	4044	5122	6083	7044	8005	8966	9922	10879	11837	12837	13837	14837	15837	16837	17837	18837
755	4238	5316	6277	7238	8199	9160	10116	11073	12031	13031	14031	15031	16031	17031	18031	19031
777	4432	5510	6471	7432	8393	9354	10310	11267	12225	13225	14225	15225	16225	17225	18225	19225
799	4626	5704	6665	7626	8587	9548	10504	11461	12419	13419	14419	15419	16419	17419	18419	19419
821	4820	5898	6859	7820	8781	9742	10698	11655	12613	13613	14613	15613	16613	17613	18613	19613
843	5014	6092	7053	8014	8975	9936	10892	11849	12807	13807	14807	15807	16807	17807	18807	19807
865	5208	6286	7247	8208	9169	10130	11086	12043	13001	14001	15001	16001	17001	18001	19001	20001
887	5402	6480	7441	8402	9363	10324	11280	12237	13195	14195	15195	16195	17195	18195	19195	20195
909	5596	6674	7635	8596	9557	10518	11474	12431	13389	14389	15389	16389	17389	18389	19389	20389
931	5790	6868	7829	8790	9751	10712	11668	12625	13583	14583	15583	16583	17583	18583	19583	20583
953	5984	7062	8023	8984	9945	10906	11862	12819	13777	14777	15777	16777	17777	18777	19777	20777
975	6178	7256	8217	9178	10139	11100	12056	13013	13971	14971	15971	16971	17971	18971	19971	20971
997	6372	7450	8411	9372	10333	11294	12250	13207	14165	15165	16165	17165	18165	19165	20165	21165
1019	6566	7644	8605	9566	10527	11488	12444	13401	14359	15359	16359	17359	18359	19359	20359	21359
1041	6760	7838	8799	9760	10721	11682	12638	13595	14553	15553	16553	17553	18553	19553	20553	21553
1063	6954	8032	8993	9954	10915	11876	12832	13789	14747	15747	16747	17747	18747	19747	20747	21747
1085	7148	8226	9187	10148	11109	12070	13026	13983	14941	15941	16941	17941	18941	19941	20941	21941
1107	7342	8420	9381	10342	11303	12264	13220	14177	15135	16135	17135	18135	19135	20135	21135	22135
1129	7536	8614	9575	10536	11497	12458	13414	14371	15329	16329	17329	18329	19329	20329	21329	22329
1151	7730	8808	9769	10730	11691	12652	13608	14565	15523	16523	17523	18523	19523	20523	21523	22523
1173	7924	9002	9963	10924	11885	12846	13802	14759	15717	16717	17717	18717	19717	20717	21717	22717
1195	8118	9196	10157	11118	12079	13040	13996	14953	15911	16911	17911	18911	19911	20911	21911	22911
1217	8312	9390	10351	11312	12273	13234	14190	15147	16105	17105	18105	19105	20105	21105	22105	23105
1239	8506	9584	10545	11506	12467	13428	14384	15341	16299	17299	18299	19299	20299	21299	22299	23299
1261	8700	9778	10739	11700	12661	13622	14578	15535	16493	17493	18493	19493	20493	21493	22493	23493
1283	8894	9972	10933	11894	12855	13816	14772	15729	16687	17687	18687	19687	20687	21687	22687	23687
1305	9088	10166	11127	12088	13049	14010	14966	15923	16881	17881	18881	19881	20881	21881	22881	23881
1327	9282	10360	11321	12282	13243	14204	15160	16117	17075	18075	19075	20075	21075	22075	23075	24075
1349	9476	10554	11515	12476	13437	14398	15354	16311	17269	18269	19269	20269	21269	22269	23269	24269
1371	9670	10748	11709	12670	13631	14592	15548	16505	17463	18463	19463	20463	21463	22463	23463	24463
1393	9864	10942	11903	12864	13825	14786	15742	16701	17659	18659	19659	20659	21659	22659	23659	24659
1415	10058	11136	12097	13058	14019	14980	15936	16895	17853	18853	19853	20853	21853	22853	23853	24853
1437	10252	11330	12291	13252	14213	15174	16130	17089	18047	19047	20047	21047	22047	23047	24047	25047
1459	10446	11524	12485	13446	14407	15368	16324	17283	18241	19241	20241	21241	22241	23241	24241	25241
1481	10640	11718	12679	13640	14601	15562	16518	17477	18435	19435	20435	21435	22435	23435	24435	25435
1503	10834	11912	12873	13834	14795	15756	16712	17671	18629	19629	20629	21629	22629	23629	24629	25629
1525	11028	12106	13067	14028	14989	15950	16906	17865	18823	19823	20823	21823	22823	23823	24823	25823
1547	11222	12300	13261	14222	15183	16144	17100	18059	19017	20017	21017	22017	23017	24017	25017	26017
1569	11416	12494	13455	14416	15377	16338	17294	18253	19211	20211	21211	22211	23211	24211	25211	26211
1591	11610	12688	13649	14610	15571	16532	17488	18447	19405	20405	21405	22405	23405	24405	25405	26405
1613	11804	12882	13843	14804	15765	16726	17682	18641	19599	20599	21599	22599	23599	24599	25599	26599
1635	12000	13078	14039	15000	15961	16922	17878	18837	19795	20795	21795	22795	23795	24795	25795	26795
1657	12194	13272	14233	15194	16155	17116	18072	19031	20000	21000	22000	23000	24000	25000	26000	27000
1679	12388	13466	14427	15388	16349	17310	18266	19225	20183	21183	22183	23183	24183	25183	26183	27183
1701	12582	13660	14621	15582	16543	17504	18460	19419	20377	21377	22377	23377	24377	25377	26377	27377
1723	12776	13854	14815	15776	16737	17698	18654	19613	20571	21571	22571	23571	24571	25571	26571	27571
1745	12970	14048	15009	15970	16931	17892	18848	19807	20765	21765	22765	23765	24765	25765	26765	27765
1767	13164	14242	15203	16164	17125	18086	19042	20001	20959	21959	22959	23959	24959	25959	26959	27959
1789	13358	14436	15397	16358	17319	18280	19236	20195	21153	22153	23153	24153	25153	26153	27153	28153
1811	13552	14630	15591	16552	17513	18474	19430	20389	21347	22347	23347	24347	25347	26347	27347	28347
1833	13746	14824	15785	16746	17707	18668	19624	20583	21541	22541	23541	24541	25541	26541	27541	28541
1855	13940	15018	15979	16940	17901	18862	19818	20777	21735	22735	23735	24735	25735	26735	27735	28735
1877	14134	15212	16173	17134	18095	19056	20012	20969	21927	22927	23927	24927	25927	26927	27927	28927
1899	14328	15406	16367	17328	18289	19250	20206	21163	22121	23121	24121	25121	26121	27121	28121	29121
1921	14522	15600	16561	17522	18483	19444	20400	21357	22315	23315	24315	25315	26315	27315	28315	29315
1943	14716	15794	16755	17716	18677	19638	20594	21551	22509	23509	24509	25509	26509	27509	28509	29509
1965	14910	15988	16949	17910	18871	19832	20788	21745	22703	23703	24703	25703	26703	27703	28703	29703
1987	15104	16182	17143	18104	19065	20026	20982	21939	22897	23897	24897	25897	26897	27897	28897	

EUROPEAN NEWS

# Belgium's steel rescue package broadly agreed

BY DAVID BUCHAN

BRUSSELS, May 22

BROAD AGREEMENT on a rescue package for the Belgian steel industry was reached at last Saturday's top-level meeting between Government Ministers, companies and unions, but also in stockholding and marketing subsidiaries, and that the State would be fully represented on their Boards.

Mr. Leo Tindemans, the Prime Minister, who dashed in and out of the 70-strong gathering to attend to the Shaba crisis, said afterwards "considerable progress" had been made.

But the key issue of state participation in the hitherto privately-owned steel sector was left unsettled.

The Economic Affairs Minister, Mr. Willy Claes, has proposed that to relieve some of the BFRs 65bn debt now weighing on the Belgian companies, the state would take shares in payment of interest on public loans it has made.

Under this plan, the State could shortly become the majority shareholder in the most indebted companies. This, according to one participant at the week-end meeting, might

# Brussels intervention in industry defended

By Our Own Correspondent

BRUSSELS, May 22

VISCOUNT Edouard Davignon, the EEC Industry Commissioner, today told top West German industrialists that the Brussels Commission had a role in intervening in European industry to "facilitate and accelerate" unavoidable changes in its structure.

Officials here said M. Davignon's remarks, made in a speech to the Federation of German Industries' annual meeting in Berlin, were specifically aimed at rebutting the attack earlier this month by the West German Economics Minister, Herr Otto Lambrecht, on the Commission's failure to prevent growing protectionism and cartelisation in the EEC.

The Industry Commissioner conceded that protectionism could jeopardise the Community's trading position, and that state aid by EEC governments threatened to "throw into question the unity of the Common Market and distort competition."

But he said the Commission had a role to play in certain depressed sectors by controlling state aids, contributing to the creation of new jobs, and negotiating agreements with trading partners to give European industry a breathing space.

Significantly, the sectors he mentioned included synthetic fibres, where, it is understood, a proposed cartel agreement by a dozen major companies, two of them West German, has met with approval from Bonn.

Last week EEC Competition Commissioner, Raymond Vene, said that the Commission was thinking of authorising a cartel under a proposal which would require approval by member Governments, that would allow the setting up of a limited "crisis cartel."

M. Davignon told the German Federation that the Commission also had a role in those other sectors which were not yet in trouble but which might shortly be so. In these cases, "warning systems" should be set up to anticipate problems.

Commenting that the Commission did not want to turn itself into a "hospital for industrial invalids," the Commissioner said there was scope for Community action in such sectors as aerospace and computers.

# Portugal seeks to raise \$700m loans on Euromarket

BY JIMMY BURNS

LISBON, May 22

PORTUGAL is hoping to raise \$700m in loans from the Euromarket to help restructure its short-term foreign debt and stimulate investment.

A Portuguese delegation, led by Dr. Vitor Constancio, the Minister of Finance, and including leading representatives from the Bank of Portugal, will leave for the U.S. once the Portuguese "letter of intent" has been formally accepted by the executive council of the International Monetary Fund (IMF) in Washington on June 5. The Portuguese mission will meet representatives of commercial banks in Washington and New York and then leave for similar talks in London and Frankfurt.

The Portuguese authorities are hoping that borrowing from the Euromarket will ease pressure on reserves. For, contrary to what was alleged in some news reports here early in April, Dr. Silva Lopes, the Governor of the Bank of Portugal, has not succeeded in deferring repayment of loans that were to be liquidated over the next two years. It is hoped here that if the \$700m can be successfully raised as from next month, the Government would not have to sell its gold, always officially regarded here as the country's "last line of defence" against total bankruptcy.

Last year, for example, the Bank of Portugal sold 46.2 tonnes of gold in settlement of

a \$300m short-term credit conceded in February 1977 by the U.S. stabilisation fund. It is officially estimated here that between March 31, 1977, and February 28, 1978, Portugal's gold reserves fell from 857 tonnes to 741 tonnes, and of this only 61.4 per cent is now "free" gold. During the same period, foreign currency reserves fell from \$260m to \$111m.

Although there has been no official announcement confirming next month's trip to the U.S., Dr. Constancio said, in an interview with Portuguese television at the weekend, that the agreement reached recently with the IMF would create new openings on the international financial market and will give a new credibility

to the Government's economic programme.

Dr. Constancio was speaking following the publication in its entirety of Portugal's letter of intent, requesting a \$500m standby loan from the IMF and setting out as its main target the reduction of the country's balance of payments deficit from \$1.5bn to \$1bn by March next year. This would be achieved through a stabilisation programme based on tight control of the money supply, stiff budgetary discipline, a firm wage and prices policy, and a gradual loosening of trade restrictions.

Acceptance of these conditions by the IMF on June 5 will automatically release remaining credit lines from a group of industrialised

countries who last year pledged a \$750m medium-term loan to help finance Portugal's balance of payments deficit.

Some \$270.8m of this is estimated to have been drawn already.

The measures set out in the letter of intent include a 5 per cent increase in the Bank of Portugal's lending rate, a 6.5 per cent devaluation of the escudo against a basket of the world's 14 major currencies, and sharp increases in direct and indirect taxation announced in the budget in April.

According to the Government, these measures will be sufficient to reduce the expansion of domestic credit and borrowing by the public sector during the next few months.

# Buoyant time for Western production and sales

BY ROY HODSON

ALMOST ALL the steelmakers of the Western world have improved production and sales in recent weeks. New international figures show the most buoyant period for steel trading for more than a year.

Although the world steel industry is still deep in recession, and many companies consider their trading to be at crisis levels, the new improvement is being seen as the first signs of a return to orderly markets.

Credit is being given to two factors: a general quickening of activity in the international economy, and the various measures taken to stabilise steel markets, including the Davignon plan for the EEC and the United States defensive system.

The International Iron and Steel Institute (IISI) reported production in 29 member countries (almost all the Western world steelmakers) rose 1.5 per cent between March and April and showed a 9.2 per cent improvement upon the same period in 1977.

IISI countries produced 39,297,000 tonnes in April compared with 36,330,000 tonnes in April last year.

The underlying upward trend in steel production and demand is also illustrated by the figures for the first four months of the year. Crude steel output in IISI countries at 149,776,000 tonnes was 3.1 per cent above the same period a year ago.

# Sharp drop in orders for West Germany

BY ADRIAN DICKS

BONN, May 22

NEW ORDERS for rolled steel products received by the West German steel industry dropped back sharply in April to just under 1.7m tonnes, following the jump from 1.8m tonnes in February to 2m tonnes in March.

The April figures, although naturally a little disappointing to those who had hoped to see a more lasting improvement in the industry's sales outlook, were not unexpected. Orders from third countries, mainly thought to be the U.S., fell back to the February level, apparently confirming that their rise in March reflected speculative American buying.

However, there was also a fall of some 150,000 tonnes in domestic orders to 991,000 tonnes, which appears to confirm impressions from other indicators that West German business continues to take a cautious view of its sales prospects.

The April steel figures leave an average of monthly new orders of 1.85m tonnes for the first four months of 1978—virtually unchanged from the same period a year previously.

# Officers denounced

A leading Portuguese centre-right politician yesterday accused members of the Military Council of the Revolution of attempting to prolong the role of the military in Portugal's affairs. Reuter reports from Lisbon.

The Council, a constitutional watchdog, is due to disappear in 1980. Dr. Francisco Sa Carneiro, founder of the Social Democratic Party, told a rally that the officers were grouping behind the President, General Eanes, in an attempt to exercise "presidential militarism."

# Catalan farmers boycott elections

By David Gardner

BARCELONA, May 22

THE UNIO DE PAGESOS, the Catalan small farmers' union which began March's national strikes to press for price increases on staple agricultural produce, has won an important victory following a mass boycott of yesterday's elections to the Camaras Agrarias, or Agricultural Chambers, the system of farmers' representation favoured by the Government.

According to Unio sources, 79 per cent of nearly 100,000 Catalan farmers did not turn out to vote in the first democratic election to be held in the Spanish country, instead many signed petitions calling for the full restoration of an autonomous Catalan Ministry of Agriculture.

Provisional figures also show that more than half the farmers of Galicia and the Basque country, the other main areas where strong independent and nationalist-orientated unions have sprung up, also abstained.

The election, affecting more than 2m farmers throughout the country, involved landowners but not farm workers. This has led several farmers' unions to compare the present Camaras to the co-operative chambers which operated under Franco. Not long before the former dictator's death, a leading figure in the Francoist Camaras claimed that his power was greater than the Interior Ministry's because of the number of people he controlled.

The Catalan Pagesos are calling for industrial workers to be treated the same as the Francoist unions which have generally been supplanted by the democratic trade unions, elected in factory council elections. Along with its national federation, the COAG, the Union has denounced the fact that an absentee landlord has a vote while an agricultural worker does not.

The elections had already been postponed for six weeks following complaints about the census. Such poor support for the Camaras will not make consensus easy on the solution necessary for Spanish agriculture's most pressing problem.



The Queen with West German President Walter Scheel in Bonn: The Queen began a five-day visit to West Germany yesterday with security arrangements kept to a minimum at her request. Officials said that the Queen did not want to be screened from the public by big police cordons. Several thousand cheering people lined the route from the airport as the Queen and her husband, the Duke of Edinburgh, drove past in a glass-enclosed Rolls-Royce. The reception was described as warm but low-key.

# U.S.-W. GERMAN ARMS ACCORD Vehicle deal may help AWACS

BY JONATHAN CARR

BONN, May 22

THE U.S. has just taken a firm step towards fulfilling its pledge of a "two-way street" with West Germany in purchases of defence material.

Defence Ministry sources say the two Governments last week signed an accord under which the Americans agreed to buy German transport vehicles to equip their army and air force units in Europe.

A total purchase of around 8,500 vehicles is envisaged—an order likely to be worth more than DM.200m. The Americans will now approach individual German firms to make their orders, receiving technical help and advice from German Defence Ministry experts.

The size of the order is significant in itself. But it is more important in view of the continuing reservations of some parliamentarians about German participation in the expensive American-designed Airborne Warning and Control System (AWACS) for NATO.

During the visit here last month of Mr. Harold Brown, the American Defence Secretary, last September, says West German Defence Minister, Herr Hans Apel, the many will "hardly be able" to achieve the Government's target of the weak dollar still to be felt growth rate for this year of 3.5 by German exporters.

AWACS on military grounds. But he also said that to finance its contribution to AWACS, Bonn would have to cut from the defence budget items already decided upon. This was feasible only if the Americans placed new orders in Germany to generate business and create jobs.

The Germans now say that at the NATO meeting in Brussels last week it was agreed that the main AWACS base should be in West Germany (near the Belgian border), thereby creating several hundred extra jobs in the area.

Further, the Americans were ready to give orders to the electronics and other sectors of German industry directly in connection with the AWACS project. The intention was to cover by such orders close to a half of the estimated German contribution to AWACS of DM1.16bn.

The new vehicles accord is in addition to this. A further project under consideration is for renovation of the American forces telephone network here by German firms—an order which would also be worth about DM200m.

The upshot is that when Herr Apel appears before the appropriate parliamentary committees after the summer break, he will be able to produce some firm evidence that the Americans have done their best to meet German conditions over AWACS.

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# Growth target difficulty

BY LESLIE COLITT

BERLIN, May 22

THE NEW president of the per cent. The Government itself, from the German Industry Federation (BDI), Herr Nikolaus Fasolt, who Chancellor Helmut Schmidt succeeds the late Hans Martin down, has cast doubt recently on the ability of the economy to expand at even this modest rate, especially with the effects of the weak dollar still to be felt growth rate for this year of 3.5 by German exporters.

# Italian rail strike threatened over pay

ROME, May 22

ITALY'S main railway workers' unions today threatened to start a 24-hour strike on Tuesday night to buck demands for higher pay, officials said.

The strike by 200,000 railwaymen would bring the country's train services to a standstill. A smaller railway union, with 15,000 members, has threatened a go-slow from May 25-31 in support of similar pay demands.

Other unions, negotiating new annual pay contracts, have threatened strike action in Italy this week. They include telephone and electrical power workers.

The 70,000 telephone workers say they will walk out for four hours on Tuesday and the power workers have threatened to stage wildcat stoppages.

Italy's Public Prosecutor today formally charged a Rome newspaper with violating an order against publication of a communique issued in the name of the Red Brigades urban guerrillas.

The Prosecutor's office said court proceedings would be brought against the editor of 11 Messaggero which defied the order and printed an account of the communique on Sunday. It found guilty, 11 Messaggero editor Luigi Fossati faces up to three months in prison and a fine of L100,000.

Saturday's communique, purporting to come from the Red Brigades, said the murder on May 9 of former premier Aldo Moro was only the beginning of a systematic campaign to destroy the state.

The brigades killed Sig. Moro after holding him hostage for 54 days.

A state prosecutor ordered a black-out on Saturday's communique which appeared to contain coded instructions for Brigades gunmen.

Reuter

# DOES THE IRISH GOVERNMENT'S POSITIVE ATTITUDE TO FREE ENTERPRISE CHANGE WITH THE PARTY IN POWER?

Since Ireland's planned industrial revolution was initiated in 1950, all three parliamentary parties have held office.

There was no break in the continuity of Ireland's industrial progress; no break in the rapid expansion of her industrial export trade.

The agreed all-party policy of advancing the economy through the active encouragement of her enterprise has been rigorously adhered to.

There has been no diminution in the level of cash grants to private industry.

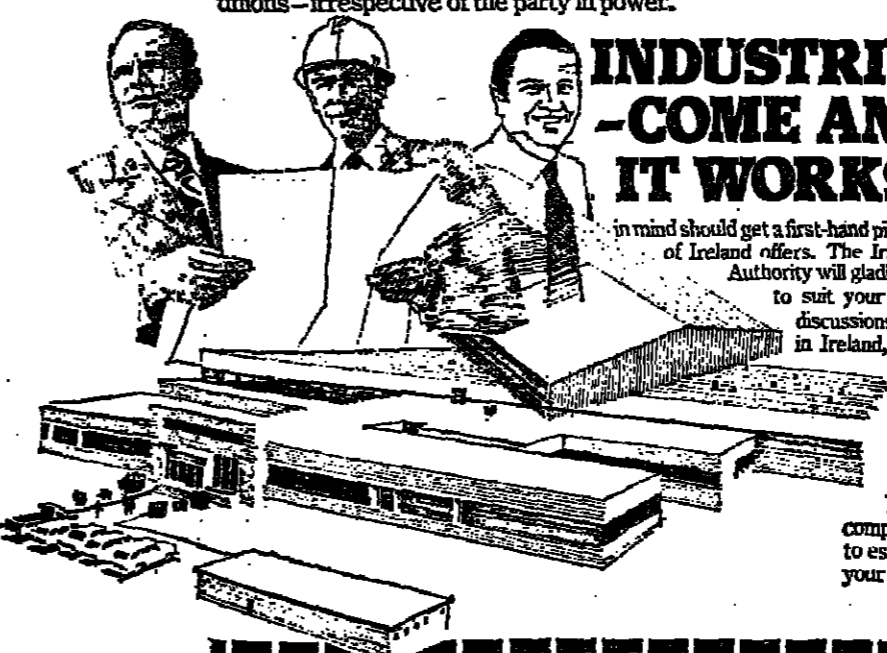
There has been no discrimination between domestic and overseas companies wishing to expand in Ireland.

No party has ever suggested rescinding the concession which exempts exporting industries from profits tax.

No companies were nationalised—or even threatened with nationalisation.

During the 8 years since its introduction, the National Wage Agreement has been consistently adhered to and re-ratified.

And Irish Government policy has the continuous and unstinted backing of the Irish trade unions—irrespective of the party in power.



# INDUSTRIAL IRELAND - COME AND SEE HOW IT WORKS.

Europe's most dynamic industrial base is only 50 minutes from London by air. Any company with expansion in mind should get a first-hand picture of the special advantages the Republic of Ireland offers. The Irish Government's Industrial Development Authority will gladly organise a personal presentation and visit to suit your particular interests: factory visits, frank discussions with overseas industrialists operating in Ireland, meetings with trade unions... whatever and whoever you want to see.

The IDA is responsible for all aspects of industrial development, including administration of the unique financial package which the government offers expanding, exporting industry. The IDA has helped over 700 overseas companies—almost 500 of them European—to establish factories. It is the only organisation your company would need to negotiate with.

Confidential: To Hugh Alston, Director, IDA Ireland, 28 Bruton Street, London W1X 7DB. Telephone 01-499-6155. Telex 051-24751.

Please telephone me with a view to discussing an investment package to suit my company and a familiarisation trip to Ireland.

NAME \_\_\_\_\_ POSITION \_\_\_\_\_

COMPANY \_\_\_\_\_

ADDRESS \_\_\_\_\_

TELEPHONE \_\_\_\_\_

## OVERSEAS NEWS

## Sadat wins large majority in national referendum

BY ROGER MATTHEWS

PRESIDENT ANWAR SADAT scored the huge victory he had anticipated in yesterday's referendum on possible measures to be taken against the Government's more vocal critics.

The official results announced this morning showed that 98.29 per cent had voted "yes" to the Government measures, only marginally fewer than the 99.42 per cent achieved in last year's referendum following the January food price riots.

The Interior Minister, General Nabbawi Ismail, stated that the results showed that the Egyptian masses had said "yes" to sound democracy, responsible freedom and honest opposition. Nearly 9.4m people are officially said to have cast their votes during the nine hours that the polling stations were open, a remarkable achievement as independent observers had noted that for long periods of the day the Cairo voting booths were almost deserted.

The "principles" on which the electorate was asked to decide are now forwarded to the People's Assembly (Parliament) where they will be translated into legislation. Broadly this should give the Socialist Prosecutor considerable scope to move against alleged Communists, and other Government critics.

Those expected to be most affected are the leaderships of the New Wafd party and the left-wing Unionist Progressive Party, together with a number of journalists who have particularly incurred the President's wrath.

However, Mr. Sadat still has considerable scope for manoeuvre and could decide, as he has done in the past, that the referendum and the resulting measures should be left in reserve, conditional on a more "responsible" attitude from the opposition political forces.

## West Bank residents fear land take-over

By David Lennon

TEL AVIV, May 22.

THE PLAN to build six Jewish urban centres on the West Bank has fuelled fears among the residents of the occupied territory that Israel plans to take over tens of thousands of acres of land belonging to former residents.

West Bank residents have complained in recent weeks that the Government has changed its policy towards the property of West Bankers now living abroad. They suspect that the Custodian of Absentee Property is planning to take over the land and property of emigrants living in Europe and the Americas.

Under Israeli law the property of Arabs not resident on the West Bank when it was occupied in 1967 is considered to have been abandoned. If an Arab country's property was liable to be taken over because he was in an "enemy country". But if he lived elsewhere abroad a power of attorney was generally accepted by the Israeli authorities.

Mr. Aziz Shehadeh, a Ramallah lawyer, told Israeli correspondents that the Custodian has now started to apply the law also to those emigrants living in non-Arab countries. He said that there was a plan to take over 70 per cent of Ramallah land and property would pass to the Custodian.

The Director of the Israel Lands Administration which is responsible for the office of the Custodian, Mr. Yacov Aknin, said that in the last few months the Custodian has started a tough re-examination of the legal papers presented by relatives of the emigrants. He said this was prompted by the discovery of forged powers of attorney. He denied that there was any plan for a massive take-over of West Bank land.

The state controller reported two years ago that there are over 100,000 acres of land and 1,100 houses on the West Bank belonging to absentee landowners. The bulk of the land and property is in the Ramallah, Jerusalem and Bethlehem area.

## BOSS will be brought within the law

CAPE TOWN, May 22.

SOUTH AFRICA'S secret service, the State Security Agency (SSA), is to come under the law for the first time it was announced today.

Mr. Alwyn Schlebusch, Minister of the Interior, told Parliament that he would introduce a Bill to regulate the organisation and control of the SSA. No details have been published.

Police said today that 14 persons were injured slightly and 16 arrested or made last night when police used tear gas to quell a riot among black workers at a gold mine 123 miles south of Johannesburg. The trouble began with a complaint about canteen food.

Reuters.

## AMERICAN NEWS

## Peru 'has little hope' of restructuring foreign debt

BY DAVID LASCELLES

NEW YORK, May 22.

PERU sent its leading financial officials to New York today to negotiate relief on its multi-billion dollar foreign debt, but the prospects of even limited success were thought to be dim. Peru's current estimated debt (one of the largest per capita circles here, to be virtually nil. The officials, led by the new head of the Peruvian Central Bank, Dr. Manuel Moreyra, travelled shortly after the President, General Francisco Morales Bermudez, made a national television address, in which he said that the country wanted a major restructuring of its foreign debts. The aim, he said, was to bring debt service payments down to 20-25 per cent of the annual national foreign exchange income.

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## U.S. gold auction to be held today

By David Bell

WASHINGTON, May 22.

THE U.S. will hold its first gold auction for about three years tomorrow when the U.S. Treasury offers for sale some 300,000 ounces in the first of six planned monthly sales. The decision to sell gold was announced a month ago as part of a concerted attempt by the Carter Administration to re-establish the stability of the dollar on foreign exchange markets. The amounts of gold to be sold are small, but the Treasury has dropped strong hints that the sales will continue after November, although possibly in a modified form.

Measures in the International Monetary Fund has announced changes in the way in which it holds its gold auctions, which are to continue for another two years. Henceforth, the IMF will sell 470,000 ounces of gold annually rather than the \$25,000 it has been selling up to now. All auctions will be by the bid price method—that is, gold will be awarded to those who make the highest bid.

Under the terms of the revised articles of agreement which have now come into effect, members of the fund are now allowed to bid for gold but, in a Press release, the IMF noted, "the fund will monitor official gold transactions in the light of the objective of reducing gradually the role of gold in the international monetary system."

It has been suspected since the auctions began that some countries have been buying gold through one or other of the banks which have been participating in the sales. Most observers here do not expect this to change, and it is not considered likely that many countries will emerge as buyers in the right of the fund which are developing countries may also enter non-competitive bids for gold in proportion to their share of the \$2.3bn trust fund which has been set up to finance the proceeds of the first two years of gold auctions.

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## OPEC to discuss oil income

VIENNA, May 22.

FINANCE ministers of oil-exporting countries, worried by revenue losses due to the decline in the value of the U.S. dollar, will meet here tomorrow to examine ways to stabilise their income.

A spokesman for the 13-nation Organisation of Petroleum Exporting Countries (OPEC) said the ministers would discuss a series of reports on the international monetary situation and plans for closer economic collaboration among the 13 member states.

The Ministers will meet formally in Geneva next month to discuss an interim oil price increase this year. But the major producers—notably Saudi Arabia and Iran—have already indicated they want to hold the price at \$12.70 a barrel for at least the rest of this year.

OPEC member states have reduced their oil output by 20 per cent to help shrink a huge surplus on the world oil market, according to the Kuwaiti Oil Minister, Sheikh Ali Khalifa al-Sabah.

Dr. Mana Saeed al-Oteibi, Oil Minister of the United Arab Emirates, has said that Abu Dhabi might be forced to reduce oil production by between 3.5 per cent and 7 per cent in 1979. Agencies

## Move on multinationals seen as 'impracticable'

BY ARNOLD KRANSDORFF

VIENNA, May 22.

A SPECIAL adviser to the UN Commission on Transnational Corporations, which is holding its

WORLD TRADE NEWS

# Egypt to seek tenders for \$3bn. telephone project

BY JOHN LLOYD

INVESTMENTS TO tender for the first stage of a \$3bn project to upgrade and expand Egypt's telephone network are expected to be received from the Egyptian Government shortly.

International telecommunications companies expect that Egypt will adopt the principal recommendations of a \$5.2m study of the country's telephone system, recently completed by the United States company, Continental Telephone International.

The study calls for the immediate installation of about \$3bn, intended first to upgrade the existing system—which is working at only 30 per cent efficiency—then to expand the present total of 370,000 lines to about 1m lines by 1982-83.

From that core, the system would then develop to a network of 4.5m lines (6.7m telephones) over the next 20 years, at an estimated cost of up to \$20bn.

The study recommends that the

new system be fully electronic rather than electro-mechanical as at present.

Engineers from ARETO, Egypt's telephone organisation, are considering the report and no specifications of future contracts have yet been made public. However, it is believed that ARETO and the Government accept that if Cairo is to be made into a key business centre, its chaotic telephone service requires a massive commitment of capital.

The World Bank has approved a \$300m soft loan for telecommunications in Egypt and the Swedish company, L. M. Ericsson, with France and Japan, has advanced credits worth a further \$40m. A second World Bank loan of about \$53m is thought likely, bringing the total to \$137m.

The Egyptians are thought to be in an favour inviting tenders for a joint development between their own telecommunications manu-

## Hong Kong overseas business up

BY DOUGLAS RAMSEY

HONG KONG'S domestic exports, at \$257m, were up by 16.1 per cent over April 1977. Imports over the period were up 19.8 per cent to \$582m and re-exports were up by 39.2 per cent to \$118m.

For January to April 1978, domestic exports rose by 8.6 per cent over the same period in 1977 to \$1.3bn. Imports, at \$2.1bn and re-exports at \$429m, were also up by 18 per cent and 22.3 per cent respectively. For the 12 months, May 1977 to April 1978, domestic exports rose by 7.9 per cent to \$1.2bn over May 1976 to April 1977. Imports rose by 13.4 per cent to \$2.6bn and re-exports, at \$1.2bn, rose by 14.8 per cent.

## Allen wins £3m deal

HONG KONG'S Public Works Department has signed two contracts to a combined value of HK\$27.5m (more than £3m.) with APE-Allen, of Bedford, for supplying and installing pumps and diesel generating plant for the Shatin New Town sewage treatment project.

Four 700 mm Allen Gwynnes mixed-flow volute pumps are to deliver to the treatment works raw sewage from two districts of Hong Kong. Electrical power is to be provided by four generating sets driven by nine-cylinder Allen engines. APE-Allen is also to supply and install all ancillary equipment and control panels for the pump and generating sets, which are scheduled for delivery early next year.

## Ericsson Libyan deal

L. M. ERICSSON, the Swedish telecommunications group, has won a \$15m order from Libya for telephone equipment. The order covers two computer-controlled transit exchanges of the crossbar type for international traffic. William Duffell writes from Stockholm.

This is the first order Ericsson has received for this kind of exchange from Libya and includes the training of local technical staff.

## Japan's trade down at Canton

TOKYO, May 22.

JAPANESE BUSINESSMEN returning from the Canton spring fair have reported far less business than usual, confirming the view that China will make fewer deals at trade fairs after the signing last winter of a \$20bn agreement with Japan.

Contracts for about \$120m worth of exports and \$180m worth of imports were concluded at the month-long fair by many of the 2,000 Japanese companies participating.

The downturn does not reflect, however, the much larger volume of business being conducted by Japanese steel and other industries under the eight-year bilateral agreement.

Without charting the precise decline in orders from the past two fairs, Japan's leading trade representative told reporters on his return to Tokyo today that the poorer showing resulted from the rise in the yen's value, shortages of some export commodities offered by China, and strong competition from American and European companies at the fair.

Mr. Toshio Oshikawa, managing director of the Association for the Promotion of International Trade, noted that European companies proved especially strong in the competition to sell synthetic textiles, notably polyester, to the Chinese.

The estimated \$20bn worth of deliveries under the Japan-China agreement will hinge on provisions to finance the transactions. In that connection, 12 officials from the Bank of China were to arrive in Tokyo this evening for a three-week visit to establish

guidelines for credit and other instruments to finance trade.

The visit coincides with the announcement last weekend that Hitachi has won another computer contract in Peking, although for smaller hardware than the two large machines recently delivered to China after approval by COCOM in Paris.

Hitachi said today that it will petition COCOM, the Western organisation that processes requests to sell "strategic" materials to Communist countries, to approve the latest order placed with Hitachi.

● Tadano, a leading manufacturer of hydraulic truck cranes, has won a ¥2.8bn order from China for 180 hydraulic truck cranes. AP-DJ reports from Tokyo. Shipments will be made from October to next March with payment in yen.

## Singapore hospital

Hospital Corporation of America has received a five-year contract to manage a 516-bed medical complex in Singapore, AP-DJ reports from Nashville, Tennessee. The complex is scheduled to open next year and the company will begin consulting work this month.

## Import loan scheme starts

TOKYO, May 22.

THE new scheme to extend long-term loans to Japanese importers to expedite imports and reduce the nation's current account surplus went into effect on Saturday, the Finance Ministry reports.

The loans, drawn from the Ministry's special foreign exchange account, will be extended to importers through the Export-Import Bank of Japan. The loans of three to 10 years will carry interest of 6 per cent per annum.

The Export-Import Bank said it is studying requests for the application of the scheme to five

## Brazilian plastics plant opened

By Kevin Done

THE EMERGENCE of developing countries as a base for petrochemicals manufacture has been underlined by the commissioning of a 50,000 tonnes a year polypropylene plant in Brazil.

The plant, built by Polibrazil, in which Shell has a 48.9 per cent interest, is located at Capuava in São Paulo, centre of Brazil's growing thermoplastics processing industry.

The plant is the first polypropylene capacity to be built in South America, and is based on Shell technology. The other partners in Polibrazil are Petroquímica, a subsidiary of Petrobras, the state oil company which will supply the propylene feedstock, and Pronorte, a member of the Coimbra Bueno industrial group.

Polypropylene is the fastest growing of the commodity plastics. The opening of the plant in Brazil is a further example of how traditional markets for Western producers are gradually developing their own production base. The Polibrazil plant will save Brazil imports valued at around \$25m a year.

The size of the investment has not been disclosed, but a plant of this size could be expected to cost in the region of \$80m.

Production from the plant, which will be marketed by Shell, is aimed at a number of outlets that are developing in fibres (packaging tape for sacks) mouldings for the motor industry, domestic appliances and medical equipment, and packaging.

## Machine tool orders rise likely in West Europe

BY JOHN WICKS

ZURICH, May 22.

NEW-ORDER volume in the European machine-tool industry is expected to rise by some 7 per cent, in terms of current prices in the first half of this year. According to the European Machine-Tool Industry Co-operation Committee (Cecim), production for 1978 as a whole should be higher than last year's.

Recovery, the committee says in a statement after its spring conference in Switzerland, would have been much more marked if world investments in capital goods were not subject to so much caution.

The committee expresses concern at "serious competition" from East European states and certain developing countries, as well as at the wage and price inflation in many West European markets and the "unstable and unbalanced monetary situation."

Often, excessively restrictive safety regulations are seen as an obstacle to trade in machine tools.

The labour force in the European machine-tool industry has been declining since 1973, according to the committee's communiqué. The reduction of employees had been 4 per cent in the UK, 6 per cent in Switzerland, 13 per cent in West Germany and 20 per cent in France.

● Export orders for the Swiss machine-building industry have fallen sharply in the first months of this year. The Association of Swiss Machine Builders reports that new export orders received in the first quarter by 200 selected member companies were 20 per cent down on the level for the preceding three months. Despite a slight increase in domestic orders, the overall contract sum of SwFr3.1bn was 7 per cent below the 1977 quarterly average.

Turnover of the 200 companies, of SwFr2.9bn for the period, was at the lowest point in two years. Although work on hand has risen to an average of 7.5 months' production for the industry, that has been due in part to companies manufacturing for stock and without corresponding orders on their books in order to keep up employment and use capacity.

Work on hand for textile machinery builders remained very low at 4.7 months' output, with no sign of change in trend, while that of steelworks, rolling mills and ferrous constructions is also running very low.

## ASEAN fair \$40m sales

BY OUR OWN CORRESPONDENT

MANILA, May 22.

THE Association of South East Asian Nations (ASEAN) ended its first trade fair here on Sunday with organisers reporting transactions worth \$40m concluded or about to be so.

Philippine Trade Secretary Treadin Quizon, chairman of the fair's executive committee, said the sealed contracts were worth \$8m and only minor formalities were needed to seal contracts covering goods worth a further \$32m. Processed food items accounted for actual sales worth \$5m, while metal products, textiles and garments, handicrafts and agro-industrial equipment accounted for \$25m. Saudi Arabia had closed or was about to seal purchases worth \$6.2m, mostly processed foods.

Mr. Quizon said the U.S. was ready to close deals worth nearly \$5m. Business with Singapore would be worth \$3.4m, Australia \$3.2m, Austria \$1.5m, and Malaysia \$1.2m.

A quarter of a million people, including 3,000 prospective buyers from 50 countries outside ASEAN, visited the fair, which also featured automotive parts and components, electronic and electrical equipment, chemicals, rubber-based products, pulp and paper, iron and steel, construction materials and communication equipment.

## Pakistan exports off target

BY IQBAL MIRZA

KARACHI, May 22.

PAKISTAN'S EXPORTS during the first ten months of the current fiscal year were 10 per cent less than the target, but the pace of exports during the past two months indicates that the revised target of \$1.24bn for the current year may be achieved.

Report by the Export Promotion Bureau on trends during the current fiscal year said that progress was slow for the period July-April 1977-78 amounted to \$960m compared with \$886m the corresponding period last year, an increase of 12 per cent.

Monetizing three-day conference on Pakistan's trade imbalance and foreign earnings, Mr. Anwarul Gokal, adviser to the Chief Martial Law Administrator, said in Karachi that a proper system will have to be evolved for the foreign exchange earnings netted through workers' remittances from abroad. While the sharp increase in workers' remittances has been a welcome relief for Pakistan's balance of payments, it has coincided with a large-scale exodus of skilled manpower.

Mr. Gokal said the traditional sources of invisible earnings have been stagnant around \$300m for the past few years and constitute half Pakistan's total visible payments. He named the main items as transportation, travel, investment income, government and miscellaneous services. Earnings under freight and insurance are nominal.

Mr. Gokal added that the diverse trends in Pakistan's exports and imports have given rise to an increasing trade imbalance. The trade deficit increased sevenfold, from \$208m in 1972-73 to \$1.5bn during 1976-1977. Although during the past few years the performance of the economy has been disappointing, it has a potential for growth and its development might be accelerated, he said.

In 1972-73 Pakistan's exports constituted 14.04 per cent of the gross national product. In 1977 that share had declined to 8.55 per cent. Rice, cotton and cotton products continue to dominate merchandise exports.

## Aircraft financing agreed

BY OUR OWN CORRESPONDENT

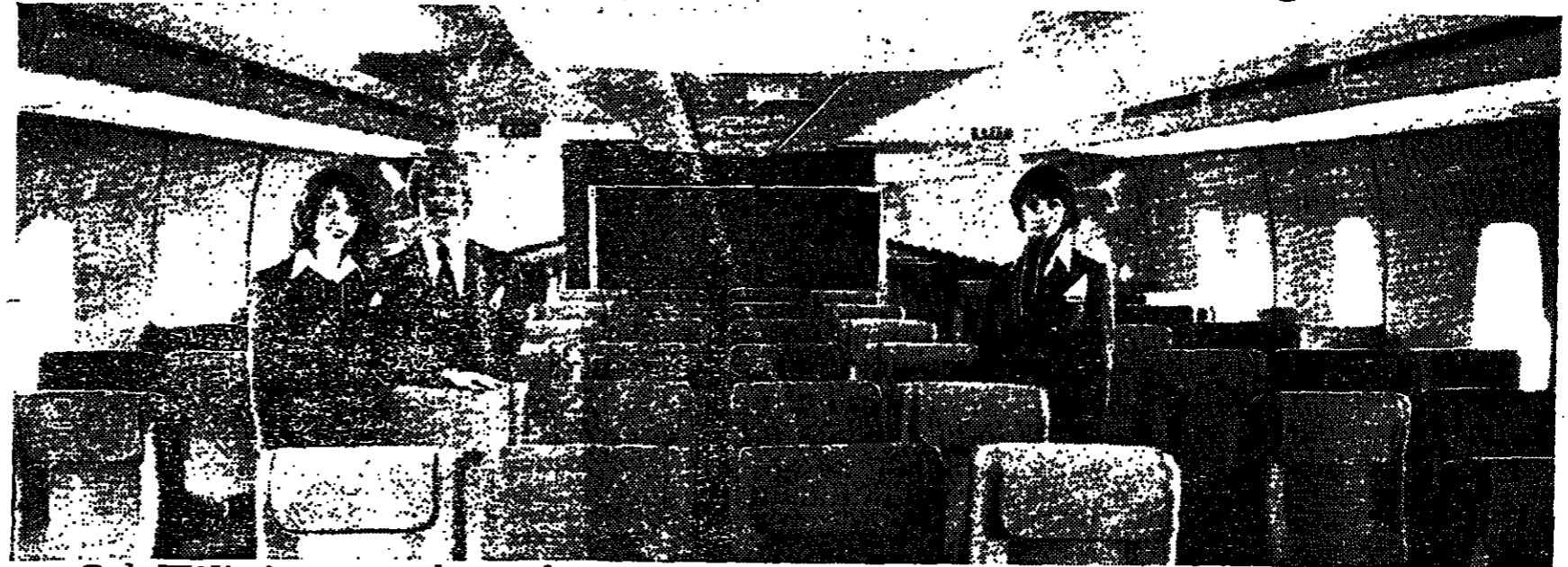
KARACHI, May 22.

THE U.S. Export-Import Bank has agreed to finance the entire \$80m required by Pakistan International Airlines (PIA) to purchase a Boeing 747 informed sources said here today.

The aircraft is expected to be delivered by July 1979. PIA has also decided to buy the two Boeing 747s which it currently has on lease from Transportes Aereos Portugueses (TAP). This decision has been taken in view of the profits earned through the lease of PIA amounting to nearly \$40m. Air Marshal Nur Khan, chairman of PIA who announced the lease of Boeing 747s from TAP is confident that the agreement for the purchase of the two leased Boeings will be finalized soon.

Meanwhile PIA has raised its service frequency to the Gulf countries and India and has introduced a new all-cargo flight service to New York via Europe, the third all-cargo ser-

# Announcing TWA's all wide-body service to New York.



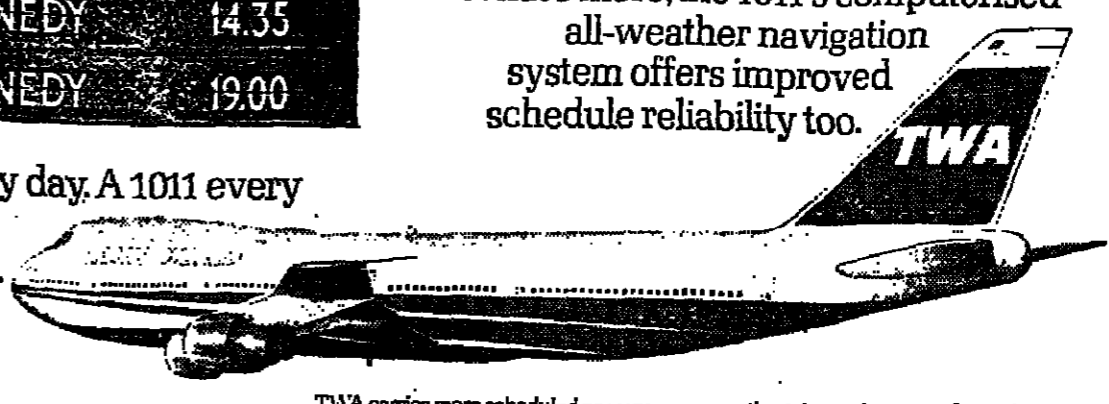
Only TWA gives you a choice of 747s and 1011s to New York. And, whichever wide-body you choose, the emphasis is very much on comfort with plenty of room to move around.



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\*This service is a 707 until June 8th.

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Laurence Brookes, Arthur Smith, Ray Slaughter.

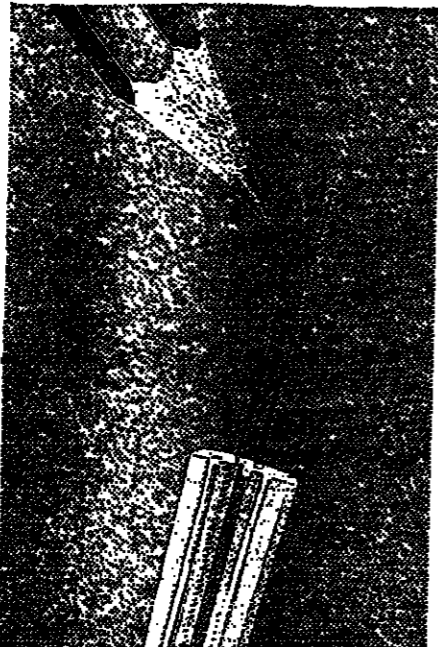
# BICC-people who make things work

A lunchtime drink provides three BICC Globetrotters with a rare opportunity to swap anecdotes about their hobbies — and to talk of the business challenges that have taken them across the world.

Laurence Brookes talks of rugby — his disappointment at missing Saturday's rugby match and his club St. Helens in triumph — and of Indonesia, the reason for his absence. He outlines the major logistics problem that has taken him to Indonesia — the supply of labour, material and equipment to no less than a dozen sites in the country where a BICC team is installing a £5.4 million telephone network. He talks of personal pressures — particularly pressures of time, getting the right plant and equipment to the right site when it's needed — and of the challenge of maintaining effective liaison.



Expert training and supervision by expatriate BICC staff enables unskilled labour to play a major part in installing BICC cable for Indonesia's telephone network.



Optical Fibres... television pictures via glass fibres thinner than a pencil point.

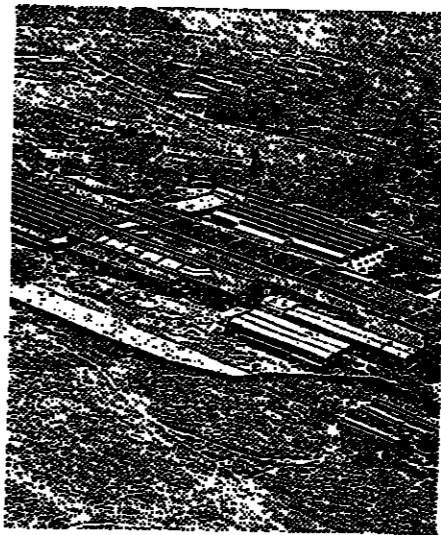
Ray Slaughter talks of the future — of a new technology which is about to revolutionise communications. For Ray, a research physicist, has devoted the last seven years of his life to work on optical fibre cables, as part of an eleven-man team, whose research has contributed to the world's first commercial installation, in a cable television distribution system, of this unique type of cable.

Ray tells of his travels, investigating suitable qualities of fibres and working towards international standardisation of the new materials.

Yet he still finds time for his hobby — photography. As he points out, his 'portable' hobby goes with him on his business trips, and his photograph album is worthy of any world traveller.

Arthur Smith turns the conversation to D.I.Y. — puts forward some novel designs. But his colleagues, more interested in his activities overseas, enquire after India and Indian Cables (Incab), with which Arthur has been connected since the early 1960's when he helped to design, and commission the thermoplastic cables plant. They question him about the progress of the Continuous Catenary Vulcanising plant which will reduce the dependence of Incab on imported paper and lead. They ask of the projects for which he is responsible in Pakistan, New Zealand and Australia and the contribution he is making to building the cable manufacturing capabilities of those countries.

Laurence, Ray and Arthur: rugby player, photographer and D.I.Y. enthusiast. Three of the 54,000 people worldwide who work for BICC — and make things work!



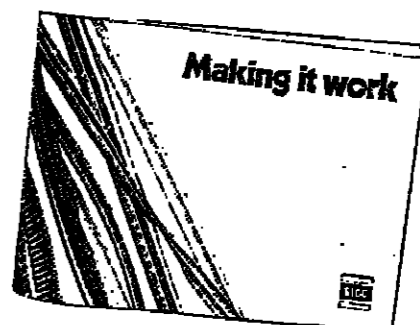
Main cable plant of the Indian Cable Company Limited (Incab), at Jamshedpur.

The BICC Group is diverse; one of the world's foremost cable manufacturers and designers; but also deeply involved in the refining and fabrication of metals; heavily committed to research and development in new communications technology; with a major stake in civil engineering and contracting through Balfour Beatty, a BICC company; possessed of hard-won skills in tunnel design and construction; and railway electrification; with specialist expertise in industrial plastics, electrical accessories, capacitors, printing plates... One thing makes BICC a stable, successful, growing company that competes successfully in so many different markets.

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This booklet tells something of the range of skills of BICC and its people, something of their achievement, and indicates a great deal about their promise for the future.

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Laurence Brookes



## Makes it work

## HOME NEWS



MR. LESLIE RUCKFIELD  
"Rigorous system of checks."

## Whitehall slashes forms by 14,000 a year

By David Freud

THE NUMBER of forms to be filled in by businessmen has been cut by 14,000 each year, the Government said yesterday.

Mr. Leslie Ruckfield, Industry Under Secretary, said that the cut in the number of forms sent out by the Business Statistics Office was the result of a stringent review.

The total number of forms—including those dealing with V.A.T. tax and grant applications—was about 10m. a year. Of these last year about 470,000 came from the statistics office.

Mr. Ruckfield's announcement came after a report by the Confederation of British Industry published yesterday calling for form-filling to be kept to a minimum.

The report recommended the establishment of a standing committee to watch over the Government's needs for and collection of official statistical data. This committee should be serviced by a strengthened survey control unit within the Central Statistical Office.

Mr. Ruckfield said that there seemed to be an impression that new surveys could be launched at will. In fact, there was a rigorous system of checks and balances.

The statistics office annual report for 1977, published yesterday, said that in recent years the office had attempted to reduce the burden of form-filling in five main ways:

- Using sampling procedures and excluding small companies from surveys where possible;
- Asking smaller companies to complete only simple forms with the bare minimum of questions;
- Reducing where possible the frequency of regular statistical inquiries;
- Making statistical forms more presentable and easier to complete;
- Making the maximum use of alternative sources of information, including administrative data such as that derived from V.A.T.

## Call to reject EEC rules which hit jobs

By LYNTON McLAINE, INDUSTRIAL STAFF

THE GOVERNMENT should more fully in world shipping and reject proposed Common Market shipping regulations which could mean losses in British trade and jobs, two Parliamentary committees said in reports published yesterday.

The regulations would bring member states of the Community into line with a United Nations code. Four years ago Britain rejected the code and MPs now want the Government to await further proposals from the EEC before changing policy.

The UN code of conduct for liner conferences was adopted by a meeting in Geneva in April 1974. It has still not come into effect. Acceptance of the proposed regulations by all nine members of the EEC almost certainly would bring the code into effect within six months.

Liner conferences are associations of international ship-owners providing regular general cargo services, fixing rates, distributing cargo and pooling revenue. The trade accounts for 24 per cent of world shipping and 20 per cent of UK shipping.

The code has six main provisions, designed to enable developing nations to participate

in the EEC proposal. It would be difficult to apply it, SO.

Some of the provisions are also incompatible with the Treaty of Rome and member states of the EEC so far have failed to agree on a unified approach to accession to the code.

The latest regulations aim to provide a common EEC policy which also would reconcile the UN code with the Treaty of Rome.

But MPs on the select committee on European legislation and members of the Lords select committee on the European Communities said yesterday that earlier British objections to the code were not affected by the new EEC proposal.

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## Grants will encourage students to enter industry

By Michael Dixon, Education Correspondent

THE FIRST 100 national engineering scholarships to encourage pupils to train for manufacturing industry are to be awarded for courses beginning in October, the Department of Education and Science said yesterday.

Each scholarship is worth £500 a year tax-free on top of the student's normal grant, with the scheme being financed equally by Government and industry.

So far about 40 companies have offered a total of £50,000 a year.

The awards are restricted to special four-year engineering courses at Imperial College, London, and the universities of Cambridge, Oxford, Strathclyde, Brunel, Manchester and possibly Birmingham.

Promote

Later, the scheme will be extended to approved courses at other universities and at polytechnics.

Mr. Oscar Hahn, chairman of an industry-education committee formed to promote engineering studies and an executive director at Guest, Keen & Nettlefolds, has written to schools and colleges asking principals to tell students of the scheme.

He adds that the Government's leading industrialists have been concerned for some time that not enough high-calibre students are going into careers in manufacturing industry.

## Home price rise fears attacked

By John Brennan, Property Correspondent

SIR RAYMOND POTTER, chairman of the Halifax, Britain's biggest building society said yesterday that fears of a house price explosion were exaggerated.

He told the Halifax's annual meeting that the Government had become seriously concerned about a possible price explosion and the effect of this on its own efforts to bring down the general level of inflation.

The Government's consequent request for a 10 per cent reduction in mortgage lending in the second quarter of 1978 had been accepted by the Halifax, which lent a record £1,326m last year.

This restriction of mortgages could create a serious dilemma. "A restriction on mortgage finance can cause frustration and disappointment, particularly for first-time buyers."

"On the other hand if the worst fears about house prices were proved to be well founded, many more first-time purchasers might be priced out of the market indefinitely, especially at a time of wage and salary restraint."

"My hope is that a house price explosion is no longer around the corner and that experience over the next few months will prove such fears have been exaggerated," Sir Raymond said.



A new lightweight uniform for postmen and postwomen goes on trial round Britain this summer. The light grey outfits with contrasting darker collars and cuffs will be worn by 1,000 postmen and 80 postwomen to assess staff reaction and confirm durability tests.

## Move to boost output of Lakes tungsten

By PAUL CHEESERIGHT

EQUIPMENT is being commissioned this week at Carruck Fell Mining, the UK's only tungsten producer, as part of a plan to bring the mine to capacity production later this year.

The mine is 10 miles west of Penrith in Cumbria and about one mile inside the Lake District National Park.

One extraction is running at about 1,500 tonnes a month and tungsten concentrate production is about 10 tonnes, enough to allow the operation to meet its costs. The value of the output is about £500,000 a year and most of the tungsten is exported.

Carruck Fell Mining is a joint venture between Weco Development, a U.S. group, and Amalgamated Industrials of the UK, which is going into mining for the first time.

The details of the joint venture are still being worked out and centre on the amount Amalgamated Industrials should pay for its investment. The mine was started by Weco, which shut it down in 1972, leaving it on a care and maintenance basis, when tungsten prices fell.

Four years later, when the market looked more promising, Amalgamated Industrials took a year's option to decide whether a re-opening was possible. Robertson Research International was called in to make a feasibility study.

As a result of this limited production started at the mine last September. It employs 30 people. World prices are at their low for the year of \$135.50 for 10 kilograms from a high of \$172.50.

Allegations that a local authority acted dishonestly and maliciously in blocking development of a fish processing factory after millions of pounds had been spent on the project were rejected by three Appeal Court judges in London yesterday.

Western Fish Products, owner of the factory site at Stable Holm, Newlyn, Cornwall, had challenged enforcement notices and "stop" orders issued by Penryn District Council which killed off the development.

The company's £9m claim for damages—loss of profits and cost of work carried out—was dismissed in the High Court last November. The Appeal Court will consider costs on Friday.

Although the Japanese had put a great deal of work into micro-circuitry, for instance, the UK had "considerable expertise in software."

Features of Japanese research and development which had impressed him during his visit included: the priority companies gave to technological innovation, their competitiveness and ability to absorb technological change rapidly at all levels; and the structure of research and development, where teams worked on product possibilities 10 years ahead, on product developments three to five years ahead, and on immediate developments one year ahead.

Print plant deal planned with Thailand

Financial Times Reporter

THE British Printing Corporation is forming a partnership with a consortium of Thai banks to build a factory in Bangkok to produce cheques and other security documents.

It is the corporation's first printing investment in South-East Asia, although it has had publishing companies there for some years.

The factory is expected to start printing in 1979. It will be the first of several projects planned in developing countries by the corporation.

Up North. Campaign for the North, Hebden Bridge, West Yorkshire. HX7 8DG. 0190.

## Midlands industry presents gloomy picture

By Arthur Smith, Midlands Correspondent

CONCERN about the continued lack of confidence of Midlands industry was expressed yesterday by Mr. Richard Hale, the retiring president of Birmingham Chamber of Commerce.

He told the annual meeting in Birmingham that quarterly surveys among member companies underlined the low level of confidence. Any improvement had been slow.

"The latest survey presented the gloomiest picture for some time, and emphasised members' special anxieties about the stagnation in world trade and the need for much better productivity from our capital equipment and plant."

The recent Budget had failed to provide the necessary stimulus. Many of the individual measures were welcome in themselves, but the Chancellor had not "taken the opportunity to restore some much needed incentive in the economy."

There was a need for some form of centrally planned income policy, but there was a danger of setting "norms" which quickly became regarded as the minimum entitlement.

The chamber favoured a two-tier scheme incorporating a low basic award with an additional flexibility allowance payable at the employer's discretion.

Bid to keep abreast of Japan

By Sue Cameron

THE Industry Department is to set up a meeting with the CBI to discuss how UK companies can best be made aware of the need to keep abreast of the Japanese.

Mr. Alan Williams, Minister of State, Industry, told a Parliamentary committee on Science and Technology that Japanese commercial intelligence was far stronger than British knowledge of the capabilities of Japanese industry.

The Japanese "scoured the world" for new methods and products. Yet when two of Britain's biggest companies visited Japan they were "surprised at what was going on."

Mr. Williams, reporting on a visit to Japan in April, told the committee that one of Britain's biggest shortcomings had been its failure to exploit products invented in Britain.

Although the Japanese had put a great deal of work into micro-circuitry, for instance, the UK had "considerable expertise in software."

Features of Japanese research and development which had impressed him during his visit included: the priority companies gave to technological innovation, their competitiveness and ability to absorb technological change rapidly at all levels; and the structure of research and development, where teams worked on product possibilities 10 years ahead, on product developments three to five years ahead, and on immediate developments one year ahead.

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Up North. Campaign for the North, Hebden Bridge, West Yorkshire. HX7 8DG. 0190.

## North makes out home rule case

By RHYS DAVID, NORTHERN CORRESPONDENT

DEVOLUTION needs to be extended to the English regions, claims the Campaign for the North, a pressure group dedicated to unbacking 15m northerners.

The campaign, founded last year to try to bring the north belatedly into the devolution debate, has attracted the support of several MPs, including Mr. Richard Wainwright, Liberal for the Colne Valley, and Mr. Austin Mitchell, Labour Member for Grimsby.

Both were present yesterday at the launching of a booklet, *Up North*, setting out the region's demand for a better deal.

The case put forward by the campaign, which has its headquarters in Hebden Bridge, strategically located between Lancashire and Yorkshire, follows closely the arguments offered the years in Wales and Scotland.

It complains of the lack of democratic regional institutions to control the growing army of

civil servants established in mini-Whitehalls outside London and the host of non-elected bodies covering functions such as health, water and energy.

It also points to the failure of regional policy to narrow the gap between the richer and poorer parts of the UK—a gap which it sees widening because of the continuing growth in importance within the economy of the service sector, largely concentrated in the south-east.

But while Wales and Scotland are to have assemblies, the needs of the north have been neglected because of the mistaken assumption that England should be treated as a unit on its own, the campaign says.

"The key political division in Britain on every conceivable count is not between England, Scotland, Wales and Northern Ireland but between the prosperous and dominant core on the one hand, and all the peripheral disadvantaged parts of the U.K., including the north and south assemblies."

A main area of difficulty for the campaign is to decide whether the north should be one, two, three or even four devolved regions, and where the capital or capitals should be. Possibly the strongest opinion within the group is in favour of three regions based on the existing economic planning councils of the north west, Yorkshire and Humberside and the north east.

The campaign hopes it can make devolution for the north an issue in the next general election, though it is against putting up candidates on the grounds that this would cut it off from the large body of support which it claims already exists within the main political parties, and in particular the Labour and Liberal parties.

The fully paid-up membership of the organisation is put at about 200.

Up North. Campaign for the North, Hebden Bridge, West Yorkshire. HX7 8DG. 0190.

Up North. Campaign for the North, Hebden Bridge, West Yorkshire. HX7 8DG. 0190.

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# PARLIAMENT AND POLITICS

## Censure motion on forces pay rejected

# Tories pledged to restore comparability next year

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A PLEDGE that a future Conservative Government would restore full comparability to service pay next year was given in the Commons last night by Sir Ian Gilmour, as he moved an Opposition motion of censure on Mr. Fred Mulley, Defence Secretary.

Sir Ian demanded the resignation of Mr. Mulley for the "inexcusably complacent" way he had handled the issue of forces pay and his failure to see that servicemen received a "square deal".

But the censure motion, which sought to halve Mr. Mulley's salary, was defeated by a Government majority of 14 (281-267). The Scottish Nationalists voted with the Tories while the Liberals supported the Government. The Ulster Unionists abstained.

The Opposition spokesman blamed the Defence Secretary for the poor morale in the forces and for the "stagnation" of officers and men applying to leave because of dissatisfaction with pay and conditions.

He coupled this with an attack on the Left-wing Tribune Group who were, he said, "never happier than when trying to dismantle the defences of this country".

Mr. Mulley replied by accusing the Conservatives of trying to squeeze the last drop of political advantage out of the present situation in the armed forces.

The Government's pay deal promises full service comparability with civilian pay by April 1980 and Mr. Mulley maintained that the initial reaction to this in the armed forces had been "one of satisfaction".

From the Opposition front bench, Sir Ian told the House: "Comparability should have been restored this year—not next year."

I give this pledge to the armed forces: A Conservative Government would restore comparability next year and no later than this sort of thing happen again."

According to Sir Ian, the situation was now desperately serious. It was not just a question of pay but morale throughout the services, because of the vast cuts in defence expenditure

imposed by the present Government and the fundamental attitude of the Labour Party towards defence.

A shortage of men, modern equipment, spares, training and transport existed. Defence was at the bottom of the Labour Party's list of priorities at a time when Soviet strength was growing.

Russian tanks outnumbered NATO's by three to one, yet 50 Chieftain tanks in BAOR were in mothballs because of a shortage of men.

Sir Ian's remarks about the Tribune Group brought Mr. Eric Heffer (Lab, Walton) to his feet. Mr. Heffer said that the Tribunes only wanted to bring Britain's defence spending into line with that of our NATO allies and that Sir Ian's accusations were "a deliberate falsification".

Sir Ian retorted: "The Tribune Group is neutral against the West. They don't see Russia or the Warsaw Pact as a threat. Perhaps they see them as a promise."

The indictment against Mr. Mulley was heavy indeed, said Sir Ian. He alleged he was guilty of "cowardice and indifference to the interests of the Services."

"He should have resigned and left it to his successor to defend what he knows is not defensible," the Conservative spokesman accused the Government of jeopardising the security of the country. They were guilty right across the board.

They had disarmed the country unilaterally and put the armed forces into disarray at a time when the Russians had been growing even stronger and the defence of the West was at stake.

It was the blackest of the Government's black records.

When there had been a leak of figures of men leaving the services, the reaction of the Government had been at first ignorance and then penitence.

It had been absurd to rebuke the Chiefs of Staff for the leak. Only the most futile politicians would have tried to stop the British people knowing the truth.

By next year, forces' pay would be just as far behind as it was over the past 12 months. It

would not have moved one inch towards comparability.

Mr. Mulley, replying from the Government Front Bench, maintained that the despondency preached by the Conservatives day in, day out has done much to lower morale in the Services.

"What they are after, really, is votes," he declared.

He wanted to know whether the Opposition believed that pay policy should be totally abandoned or whether it should apply to every section of the community except the armed forces.

He thought that servicemen would recognise that the Conservatives' campaign on forces' pay was merely political manoeuvring.

Mr. Mulley agreed, however, that there had been a disturbing increase in the numbers leaving the services. The Government was watching the situation "very closely".

For the Liberals, Mr. Emyrn Hooson made it clear that his party would not be supporting the Tory vote of censure. He said that the Liberals did not think it was worth taking the risk of restoring comparability before 1980, as it would set a precedent for other groups, such as the police and firemen.

He called Sir Ian's speech "rather deplorable" and thought it overlooked the fact that forces' pay was part of public expenditure which the Tories wanted to cut.

But the Scottish Nationalists said they would support the Tory motion. Mr. Iain MacCormick (SNP, Argyll) said if service-

men's wages had fallen behind those of other workers, then comparability should be restored immediately.

Mr. Doug Hoyle (Lab, Nelson and Colne) said he could not see the objection to trade unions for the armed forces when many top civil servants in the Defence Ministry were members of a trade union.

Before the present increase a British private received £52 a week compared with £76 for his West German counterpart, £102 for a Norwegian private and £125 in the Danish army. West German, Norwegian and Danish soldiers all had trade union representation.

Mr. Michael Stewart (Lab, Fulham) said he was not convinced that trade unions for the armed forces was the right answer. But there should be closer contact between those who were concerned with army pay and the trade union movement as a whole.

Mr. Bob Mellish (Lab, Bermondsey) questioned whether the Government had gone far enough in giving servicemen more within the strictures of pay restraint.

He said that the Government had never been paid properly and their conditions were never as good as they should be. They deserved the best the nation could give them.

Winding up for the Tories, Mr. Winston Churchill called for a supplementary pay rise for the armed forces, based on their "unequalled productivity".

He said this would mean an increase of 20 per cent forthwith.

Our overriding interest was to use the improved balance of payments to repair the damage to our real economy but nothing BNOG did was adding to the vital private domestic sector.

Among measures for which Lord Gower called was an immediate return to the Energy Department of the Corporation's advisory and regulatory functions.

The Conservatives would stop the large discretionary powers of the Energy Department and BNOG and would tax the Corporation like other companies.

Lord Strabolgi, for the Government, said that the Tories still believed that production in the North Sea could be controlled through taxation. But the Government had a more orderly approach, ensuring a State majority in each new licence.

Expertise and investment brought to bear by the private oil companies had been invaluable. But recognition of their contribution did not mean that the Government should not have proper control over the extraction of these vital resources.

# LABOUR NEWS

## Postal workers favour further incomes policy

BY PHILIP BASSETT, LABOUR STAFF

POST OFFICE workers yesterday broke ranks with the majority of the trade union movement by effectively agreeing an agreement with the unions on a return to free collective bargaining.

The Union of Post Office Workers, traditionally staunch Labour supporters, could be a lone voice in the union movement to oppose Phase Three ends in nine weeks time.

Government chances of reaching an agreement with the unions on a fourth round are not greatly increased by the UPW decision.

The 1,700 delegates at the union's annual conference in Blackpool voted decisively yesterday against motions calling for opposition to any further Government incomes policy.

The link between Labour's General Election plans and an agreement with the unions of some sort of Phase Four was split out to delegates at the weekend by Mr. Denis Healey, Chancellor of the Exchequer.

Mr. Jackson said that neither members of the union, their families, nor the industry in which they worked would benefit from a wages explosion.

In the period of free collective bargaining between August 1, 1974, and July 31, 1976, the union won wage increases averaging 33 per cent.

Tax and national insurance increases took 9 per cent. of that, and a 263 per cent rise in inflation left Post Office workers 23 per cent worse off after the biggest wage increases the union had won.

The increases worked through to price increases, and the country faced a 1975 Post Office price explosion. People stopped posting letters and thought twice about making telephone calls. The union lost the equivalent of 25,000 jobs.

Mr. Jackson compared that position with this year. Wages would move by about 10 per cent, inflation by about 7 per cent. That coupled with tax reductions, would leave Post Office workers between four and six per cent better off. Post Office prices were stabilised for the year, traffic was increasing, and the union could look for more jobs.

"Inflation is the unseen pick-pocket. Fatter and fatter pay packets which buy less and less are of no value to our members."

His qualified belief in the possibility of a TUC-Government agreement on Phase Four did not stem from a desire to benefit a Labour Government, because he wanted to see the TUC grow in importance in economic planning, nor because he wanted to see Labour win the next General Election, though all those things were very important.

"I believe that the welfare of our members is at stake. I believe that our people and their families suffer most from uncontrolled, unfettered collective bargaining and the attendant dangers of hyper-inflation and unemployment."

Mr. Jackson gave the conference a firm promise that the union would ask the annual TUC conference to co-ordinate a claim to be put to the Government for a shorter working week based on the need to cut unemployment and increase leisure time.

On Post Office services, Mr. Jackson said that for the first time in years there was an increase in letter traffic. He hoped that this increase would prevent a price rise, beyond the freeze to the end of the year already announced. Keeping prices down would increase both letter traffic and jobs.

## NGA to discipline Observer strikers

BY PAULINE CLARK, LABOUR STAFF

THE OBSERVER newspaper crisis seemed to have ended yesterday as print union leaders gave the go-ahead for disciplining strikers and taking steps to ensure that the men will not work for the paper again.

This followed a warning to union leaders last week that the Sunday newspaper would be shut down if uninterrupted production could not be guaranteed.

The paper was prevented from appearing by 25 unofficial strikers a week ago and production was again affected last weekend by 14 of the group, who continued their action.

Instructions for action to be taken against the remaining unofficial strikers were given to London officials of the National Graphical Association as Dr. Cosmo Cruise O'Brien, editor in chief of the Observer, publicly praised the union for making a "significant contribution to the defence and vindication of two great freedoms—freedom of valid expression and freedom of valid collective bargaining."

Dr O'Brien, speaking at an Advertising Association lunch in London, said the contribution made by the union's national council towards resolving the Observer crisis "may some day found to be worthy of note in the history of both journalism and of industrial relations in this country."

The union decided at a national council meeting before the weekend to take a tough stand against members who have been disrupting production of the paper in defiance of union instructions. Yesterday's action is probably as near as the union can get to meeting management's demand for a guarantee of uninterrupted production.

Machine minders who have been disrupting production of the Observer's weekly paper, Reveille, are expected to meet today to decide whether to continue their unofficial action in support of more pay.

About seven of the NGA members involved are said to have been among the 25 who originally took action on the Observer but only one is believed to have been involved in last week-end's action.

## Close win for union's Grunwick moderation

By Philip Bassett

THE Union of Post Office Workers yesterday narrowly backed its leaders' handling of the union's involvement in the Grunwick dispute last year, when 130 UPW members at Cricklewood sorting office, North London, refused to handle Grunwick mail.

The union executive faced a strongly-worded vote of censure, but defeated it in a close block vote of the delegates acting for branches by 9,694 to 9,033, a majority of 661.

The union was caught in a dilemma between its rules and trade union principles when last summer London District Council No. 3 of the union invited branches in its area to black mail for the Grunwick film processing plant in support of the workers on strike there for union recognition.

The UPW conference earlier in the year had passed a motion not to black Grunwick mail.

Sorters at Cricklewood blacked the mail, and were eventually suspended by the Post Office. The union gave them £42 a week hardship money, but the executive all along urged them to return fully to work.

Mr. Derek Walsh, a divisional organiser of the LDC No. 3, proposing the motion, said yesterday that he believed the union's executive was "morally wrong."

Mr. Tom Jackson, general secretary of the union, opposing the censure, said endorsement of the Cricklewood sorters by the executive, in the light of an undertaking in court by the union not to impede Grunwick mail, was a "disgraceful and bankrupted the union and put its fabric at risk."

## Scanlon urges one union for each industry

BY ALAN PIKE, LABOUR CORRESPONDENT, IN HASTINGS

THE BRITISH trade union movement should move towards one union for each industry, Mr. Hugh Scanlon, president of the Amalgamated Union of Engineering Workers said yesterday.

He told the annual conference of TASS the AUEW's white collar staff section, that he could not see the logic of conglomerate unions recruiting over as wide an area as possible. One union for each engineering industry must remain the aim and he named four unions with which the AUEW should seek amalgamation.

These were the Sheet Metal Workers, Mechanical Engineers, Electrical and Plumbing Trades Union and the Boiler-makers Amalgamation.

The AUEW is already engaged in merger talks with EPTU and looking with regard to new interest in the boiler-makers, whose conference last week rejected an alternative.

The men, who work for Trailer Sales, picked the gates and sought help from the Labour-controlled Newham Council and their MP to stop the business going into liquidation.

Mr. Danny Atfield, for the workers, said yesterday that both the National Enterprise Board and Mr. Eric Varley, industry Secretary, had been told of the company's plight.

Mr. John Davis, managing director, said the company, which makes heavy trailers mainly for export, had been unable to raise capital to finance what he said was growing overseas demand for the firm's products.

Both the management and the workers argued that the firm deserved assistance because of the Government's promise to help inner-city areas.

## Car painters' strike may end at Rover plant

By Arthur Smith

HOPES ARE RISING for a settlement today of the strike by painters which has halted production of Rover saloons, at Solihull.

A compromise will be put in a meeting of the 500 painters who walked out on Friday in protest at the alleged use by two foremen of caustic soda to check time-keeping.

About half the 4,000 assembly workers were laid off yesterday, but all hands have been recalled for today.

At Cowley, members of the Transport and General Workers' Union at Leyland have called a mass meeting for Wednesday to consider a report by shop stewards on parity payments. They oppose them because they do not want craftsmen to earn more than those on production lines.

## Liquidation move protest

BY OUR LABOUR EDITOR

FIFTY WORKERS at an East London factory began a "work-in" yesterday and threatened to refuse admission to a receiver who is to visit the factory today.

The men, who work for Trailer Sales, picked the gates and sought help from the Labour-controlled Newham Council and their MP to stop the business going into liquidation.

Mr. Danny Atfield, for the workers, said yesterday that both the National Enterprise Board and Mr. Eric Varley, industry Secretary, had been told of the company's plight.

Mr. John Davis, managing director, said the company, which makes heavy trailers mainly for export, had been unable to raise capital to finance what he said was growing overseas demand for the firm's products.

Both the management and the workers argued that the firm deserved assistance because of the Government's promise to help inner-city areas.

## Windscale alert men go back

FIFTY construction workers who downed tools a fortnight ago when radioactive contamination was discovered on a building site at Windscale, Cumbria, have returned to their jobs.

The men restarted work on building a new storage pond for radioactive waste fuel yesterday after accepting assurances that the site is now safe.

## Act does not aim to punish small businesses—Lever

BY RUPERT CORNWELL, LOBBY STAFF

MR. HAROLD LEVER, Chancellor of the Duchy of Lancaster, yesterday called for a "more balanced" approach by small businesses, who have complained about the employment Protection Act.

Mr. Lever, a key financial adviser to the Prime Minister and in charge of the Government's new programme to help a sector it has come to regard as a low priority, emphasised that there could be no question of exempting small firms from the Act's provisions.

One of its prime purposes, he argued in a paper presented to a meeting of the Labour Party/TUC Liaison Committee, was to offer employees of small companies the protection workers enjoyed in larger and well-unions firms.

But the Department of Employment was considering issuing an advisory circular on the Act to the employer, as well as to employees. The Government also plans to reintroduce in the Commons the Bill that would have sorted out the present legislative confusion of legislation, which failed to complete its passage last session.

"We ought to keep clearly in mind that the Act is to provide protection for the employee not to punish the employer or close his business. We need to encourage a more balanced view of this legislation," Mr. Lever said.

The Government also aims to make life easier for small companies by cutting back as far as possible the red tape they have to deal with and by encouraging an increased flow of finance, particularly from the private investor and from the High Street banks.

One possibility is a system of loan guarantees, although the evidence on the effectiveness of bank help to such firms is contradictory. Mr. Lever explained that while some argued that overdrafts provided a simple and efficient source of funds, others held that banks were too cautious in their assessment of borrowers, and that more readily available fixed term loans were needed.

This could be achieved by a loan guarantee system, already under study by an NEDC Committee chaired by Lord Rott. Mr. Lever himself is holding talks with clearing bank representatives to see how their financial and advisory services can be improved.

## Varley for talks today on civil aircraft policy

BY IVOR OWEN, PARLIAMENTARY STAFF

CONSULTATION rather than little Red Riding Hood.

Both were reminded by Mr. Varley that no decisions had been taken at the present stage, either by British Aerospace or some of the other interested bodies.

British Aerospace was prepared to have further discussions with Boeing but "top consideration" would be given to the commitment made to European interests.

He also acknowledged that while there would be some advantage in an engine being a lead engine in any new aircraft, this would not be "absolutely crucial."

When Mrs. Helene Hayman (Lab, Weymouth and Portland) asked the Government to accede to the requests made by British Aerospace and give the "go-ahead" for the purchase of the HS-146, the Minister assured her that the proposal was under active consideration and that a statement would be made in due course.

Mr. Geoffrey Pattie (C Chertsey and Walton) emphasised the need for a balanced approach, did not seem to be the best of the American contenders, even assuming that the U.S. involvement was required.

Agreeing that defence was another part of "this complicated picture," Mr. Varley pointed out that Boeing had 60 per cent of the world's civil airline market, while other American companies were more orientated to the military side.

All these matters, he promised, would be taken into account.

Mr. Varley confirmed that he had had discussions with the senior management of Boeing, Lockheed and McDonnell Douglas. The results would form part of the Government's current consideration of future civil aircraft policy.

"The timing of decisions on aircraft projects will depend entirely on commercial factors," he added.

THE GOVERNMENT has decided that Servicemen retiring from the armed forces between April this year and April 1980 will receive pensions calculated on a basis fully comparable with civilian pay. Mr. Mulley announced.

This means that a corporal aged 40 with 22 years' service will receive an extra £241 a year on his pension.

A warrant officer aged 50, with 32 years' service, will get an extra £426 per annum and a major, aged 50, with 29 years' service, an extra £524.

Mr. Mulley also announced a standstill on Service rents for at least a year. The pay review body is looking at the question of rents at the moment and is not likely to report for a year.

He said that there would be no increase in charges until the result of the review was known.

Mr. Williams assured him that the Department of Industry and the Department of Trade were fully aware of the problem. It had been expected because of the large levels of stocks of Japanese cars at the beginning of the year.

Inevitably, a little time would be needed for the agreed figures to be achieved.

Mr. Williams stressed: "We are keeping a close check on shipments and on prospective shipments."

A Tory advocate of import controls, Alan Clark (Plymouth Sutton), contrasted the ease with which manufactured goods of foreign origin entered Britain with the difficulties placed in the way of British goods sent for export.

Charles Villiers, chairman of BSC, on Friday.

Mr. Varley said the talks would cover the possibility of direct worker participation on the Board of British Steel in line with Government policy.

It was announced in April that Mr. Varley had offered the steel unions six seats on the BSC Board.

## Zaire shows need for Europe co-operation, says Davies

BY RICHARD EVANS, LOBBY EDITOR

EUROPEAN countries with interests in Africa should set up a permanent system of co-operation to cope with emergencies like that in Zaire, Mr. John Davies, shadow Foreign Secretary, said in the Commons yesterday.

Mr. Davies added that the continued presence of Cuban and East German troops in Africa "constitutes a permanent threat to peace" and should be raised in the United Nations Security Council.

Mr. Ted Rowlands, Foreign Office Minister of State, had confirmed that five Britons must now be presumed to have been among those murdered in the "appalling atrocities" in the town of Kolwezi and he expressed sympathy to their relatives.

Mr. Davies said that the Tories were "simply horrified by the spectacle of the past few days." He called for steps to be taken to protect those in the path of the retreating guerrillas.

Mr. Rowlands said the Zam-

biens were involved in talks over the protection of those in the path of possible fighting. There would have to be collective support in order to take the issue to the Security Council.

Mr. Stan Newens (Lab, Harlow) asked the Minister if he would investigate reports that the killings were begun by soldiers of General Mobutu's army.

Mr. Rowlands told him the Government had no confirmation of the report.

## Japan car shipments monitored—Minister

BY IVOR OWEN

SHIPMENTS OF Japanese cars to Britain are being monitored, Mr. Alan Williams, Minister of State, Industry, told the Commons yesterday when the value of the agreement reached with the Japanese Government on the limitation of exports was called into question.

Mr. Geoffrey Robinson (Lab, Coventry NW) protested that the success of the British motor car industry was being "gravely threatened" by the growing level of imports from Japan which seemed to be in "marked contradiction" to the undertakings given.

He called for further representations to the Japanese Government including proposals for setting up a system of monitoring shipments from Japan.

## Protest over cash for industry

BY JOHN HUNT

THE CONSERVATIVES last night strongly opposed the Commons giving approval to a Government order authorising financial assistance to industry by a further £250m. The Order would mean that the limit for selective aid under Section 5 of the Industry Act would be raised from £500m to £750m.

The main objection of the Tories was that the Government was using the aid as a means of enforcing its pay policy. In some

## Callaghan stresses devolution aim

BY RICHARD EVANS, LOBBY EDITOR

THE GOVERNMENT would "go to the limit" to ensure that the Bill on Scottish devolution reached the Statute Book this session, the Prime Minister said in Edinburgh yesterday.

The Scottish people could then declare their own opinion, Mr. Callaghan told the General Assembly of the Church of Scotland.

"We believe giving Scottish

people more control over their own affairs will strengthen the sense of national community and the links between the people of our islands."

The comments underline the Government's determination to get the Scotland Bill into law before he calls a general election.

The Bill has just completed its committee stage in the Lords and will start its report stage in the first week of June before returning to the Commons.

Peers have already inflicted numerous defeats, most of which the Government will seek to reverse.

In a wide-ranging speech, Mr. Callaghan said another area of change was industry and the Government would be publishing today its views on the development of a new system of industrial democracy.

## Number of listed unions up by 28

BY NICK GARNETT, LABOUR STAFF

AT THE end of last year there were 485 listed trade unions, 273 certified as independent and about 200 affiliated directly or indirectly to the TUC, according to the latest report of Mr. John Edwards, certification officer.

This was an increase of 28 over the end of 1976 and of 78 compared with the last quarter of the previous year.

The report suggests that the increase in the number of listed unions during the past two years gamated Union of Engineering Workers (48 per cent), the National Graphical Association (46 per cent), the Association of Scientific, Technical and Mana-

During 1977, certificates of independence were issued to 89 Society of Graphical and Allied trade unions, 17 of them TUC-Trades (18).

Seven unions gave the proportion of their members contributing to political funds as more than 90 per cent. These included the National Union of Public Employees, the National Union of General and Municipal Workers and the Transport and General Workers.

According to union returns for the end of 1976, 81 trade unions had a total membership of 9.4m and maintained political funds and about 81 per cent of their membership contributed.

# Managers fear scientific selection—Eysenck

BY MICHAEL DIXON

"HOW DO we go about selecting managers?" asked Hans Eysenck, Professor of Psychology at the London University Institute of Psychiatry. "I think we go about it very badly at the moment."

"I believe that much of the poor performance Britain has been suffering from is due to the fact that the people chosen for jobs, particularly at higher levels, are not up to them."

The famous advocate of rigorous scientific approaches to psychology then confirmed the truth of a piece of recruitment-industry folklore, which I had previously assumed must be a myth.

"In a U.S. company I studied we tried to find the real criteria by which staff were chosen. We were at a loss in the typing pool, because the women there differed widely by every measure of personality, work-quality etc. . . until we noticed they all had bust measurements of 38ins or more."

"The point is that, by comparison, the criteria generally used for selecting managers seem to have results which are less aesthetic, without being very much more relevant to getting the work done well."

The scientific evidence was that fairly commonly used "instant-insight" devices based on handwriting, colour-choice and even astrology were invalid, the Professor said. Moreover

the almost universal selection interviewing had largely been shown to be unreliable.

Here he cited a wide-ranging investigation carried out in the U.S. Army which showed that the only factor which consistently predicted that a candidate would be chosen was that the interviewer had got on with him well. But the liking was not usually sustained for long. In most instances it soon evaporated into an average indifference, and quite often fermented into dislike.

"You see, although there may be signs of pre-psychosis and so on which a proper psychologist could pick up, an interview of about half an hour just doesn't tell you anything really about most people's personality."

## Angels

"And there again, when employers have come to me and to colleagues to ask us for help in selecting people, they mostly have very little idea of what they want. They usually give you lists defining what an angel would be like."

It was true, Hans Eysenck conceded, that some organisations do know what sort of recruits they want and have reliable methods of identifying them. The Civil Service was the best example, perhaps.

"I am sure that I could not improve on its procedures for recruiting the people it wishes to have. But whether those people are the kind of civil servants that are needed by the rest of us in the community, is altogether a different question."

In the main, he believed that they are not. Recruiting procedures of the Civil Service kind seemed to be psychotic about the universal importance of intellectual ability. But in practice personality was at least equally important, and mental approach perhaps more so.

"What does occur to me because I personally come into contact with it, is the terrible danger of having people with an arts education rather than one in science clustered at the top of the Civil Service."

"There's the question of criminality, for example, which we have done a lot of work on at the Institute here. I find that the Home Office, however, holds unshakably to ideas which are quite unscientific and do not work even though it persists in them. People like that don't seem to have any appreciation of what evidence is."

"Scientists know that the real point is to look for evidence, but civil servants apparently don't. Their inclination is to make it difficult for

anyone to find out what is happening."

Nor did Professor Eysenck think that business employers were worthy of significantly greater approval.

"In companies which need to be competitive, one might expect senior managers to be more amenable to scientific method in making decisions about people and other things. But I doubt that they usually are."

The only sensible way for a company to set about devising criteria for recruitment was to start from successful achievements which it would like to have more of, and failures which it could not want to repeat even if it could afford to, and then identify attributes to be sought or shunned by studying the people associated with either kind of event.

## Refined

Thereafter, the criteria—which would probably vary with different kinds of organisation, and with different jobs within them—must be continually and rigorously reviewed in the light of their practical effects on performance and be changed and refined accordingly, Professor Eysenck said.

But he believed that few managers' understandable resistance to personnel procedures way.

ment methods of this kind, and that very few would do so on their own initiative. The main reason was possibly fear among the existing top managers that such investigations might expose their own deficiencies.

"I remember a study done for a multi-national group some years ago. It was not about recruitment; it was to find why the company's retail sales were suffering by comparison with those of their competitors. And the researchers established that the shops were reacting adversely to the very restrictive rules that the company was imposing on how many machines of which kind the retailers could have, etc."

"When the researchers reported this to the man in charge, he dismissed it as nonsense and threw them out. The rules they were criticising were precisely the ones that he had introduced. As it happened, the group being American owned, he was sacked shortly afterwards."

"Now, however, to sack people is being made more and more difficult, which makes people being made more and more difficult, which makes people being made more and more difficult, which makes people being made more and more difficult."

But, I asked, given senior managers' understandable resistance to personnel procedures way.

which might undermine them, how is more appropriate selection to be brought about?

"Well, one thing that can be done," Professor Eysenck replied, "is for the person at the very top to establish under his own supervision a small independent section of highly trained people. Some have done this; I understand that Esso has a good unit. But there are far more than enough."

"Expert teams like this need not just concern themselves with devising and following up recruitment criteria, they can also be useful in other ways. For example they can help a company to detect the onset of mental breakdowns or alcoholism before they become real problems."

"Of course, it is very important to pick the right people for the team in the first place, especially since there is more charlatanism in psychology than almost anywhere else."

"But the outcome depends once again on who is the chief executive. If he is of scientific outlook, and demands evidence before accepting it, the team should show good results."

"If, on the other hand, the chief is the kind who likes to act on prophecies, then perhaps the team doesn't matter. The company is probably done for any-

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# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## COMMUNICATIONS

### Data network needs

DOMINATING the papers and discussions at the recent Eurocomp meeting were thoughts concerned with telecommunications, both practical and theoretical.

Some indication of future PO data communications plans was given by Brian Cross, head of data systems planning in PO Telecommunications. He began with the proposition that the most significant market developments will be access to large specialised data bases: inter-communicating word processing systems, and electronic funds transfer. The current telephone network is not suitable for these types of application, and a new type of public data network will be needed.

The PO is now looking at a proposal to provide a national packet switched service, which initially would be built out of existing telecommunications facilities connected by an overall national network of special purpose built packet switching data exchanges. In the longer term, it might be possible to integrate such a network with the System X digital network.

The PO has plans (tentative) to offer private digital data circuits as soon as in the 1980s as possible, to be followed shortly after by an embryo circuit switched service.

What is striking about the PO paper is the almost total success of the packet switching philosophy. As the paper states in discussing the deficiencies of the

## SAFETY

### Keeps the flames from spreading

AS FIRE losses continue to mount, more manufacturers of fire-proofing or fire-resistant materials are coming up with a variety of products interesting to owners of existing premises and builders of new structures.

One material which has been tested as a coating for a steel beam subjected to heating to 1000 degrees C for 60 minutes is an intumescent paint by Fire-guard and called Therm-O.

Examined by the Warrington Research Centre, the material has been certified to give one hour fire resistance, to BS 476 Part 8. To achieve this, a coating only 1mm thick was applied while, according to the makers, competing products need five times that thickness. 01-883 0139.

For Gyproc Fireline board, the claim is made that with one layer the same fire resistance is achieved as would require two layers of plasterboard.

This version of plasterboard has glass fibre and vermiculite in its gypsum core and can give a hour fire protection when fixed to timber flooring. It is now available in 1200 mm width with tapered edges for dry construction work. 01-486 1282.

Faster assembly or installation in building operations is also a characteristic of Vermiculux, an asbestos-free structural fire protection from Cape Boards, which has been tested by FIRT in stapled constructions and confirmed as meeting statutory fire protection requirements for periods of up to four hours.

Installation time, using staples, with this unique board is some 75 per cent faster than traditional methods and the staples are much cheaper than screws.

Cape Board has, in the meantime, announced the development of an asbestos-free board for ceilings in ship accommodation. Marineite board "L" is for areas where a painted finish is provided and DoT approval has been given specifically for the purpose described above.

Again with ship safety in mind, Camrex has been pursuing the goal of producing solvent-free paint systems for use in the marine industry. One of its products is a pitch epoxy with a volume solids content of 83 per cent. Applied by airless spray methods on pre-primed steelwork, this product is sufficiently low in solvent to improve working conditions in enclosed spaces very considerably.

All solvent was eliminated from the company's Camweb epoxy water-based coating, which also has high corrosion-resistant qualities. Sunderland 70811.

## HANDLING

### Hydraulic access platform

THE FIRST public showing of an 8.7 metre (28.6 ft) hydraulic access platform from Simon Engineering, Dudley, will be this week at the Expomat Exhibition, Bourget Airport, Paris which closes on May 27.

Features of the model, called A70, include dual-cable cage levelling, full hydraulic control by the operator within the cage, easier entry to the cage from the ground, and continuous turntable rotation through 360 degrees. This British exhibit has a safe working load of 130 kg

## AUTOMATION

### Pneumatic circuit board

WHAT amounts to the pneumatic equivalent of the printed circuit board used in electronics has been developed by the products division of Vosper Thornycroft.

The pneumatic circuit board, for use mainly in ships for control systems, is produced by bonding together two more layers of resilient material containing airways to form a laminate.

Mounted on the board, at relatively high density, are a number of miniature control elements (valves, etc.), resulting in the minimum use of interconnecting pipework.

Since ship-borne pipework of this kind is susceptible to shock and vibration damage, reliability is improved. All the board inputs and outputs are arranged as exit-entry ways at the edges of the board (like the fingers at the edges of electrical boards) and are clamped to manifolds for connection to the ship's piping and on to control lever heads, engine room and air supply.

A further advantage is the ease of testing and replacement of the controlling elements—they are all in one place—and the convenience of their adjustment.

The company says that, in spite of the inroads into this kind of control activity now being made by the microprocessor, the use of pneumatics is preferable in marine applications where pneumatics are already present in other contexts. In addition, computer software costs are considered to be too high for the quantities of systems involved.

More from the company at Northborough Road, Cosham, Portsmouth. P08 3TR (07018 73511).

**Lovell**

for construction  
01-9951313

Various options can be used to enter the data, including keyboard, punched cards or floppy disc. Data logging outputs and alarm messages are available for recording on printers. If desired, it is possible to link several weathers and microcomputers to a host computer programmed to suit the application.

More about the system called Microbatch, from the company at Park Lane, Basford, Nottingham (0602 277211).

## MATERIALS

### Slow growth in paint market

THE MAIN conclusions of a detailed study of the paint industry in selected European countries show that, as consumption of paint is a direct function of the level of general economic activity and, since the latter is currently depressed in all the countries studied and shows little chance of imminent substantial recovery, the forecast for growth of the industry is less than 2 per cent per year over the period 1978-85.

As rising costs of oil accelerates raw material prices and greater concern for safety and protection of the environment begins to threaten the established position of conventional solvent borne paints, the market must consider adopting more alternative systems for industrial applications, including high solids, water-borne and powder coatings.

## PROCESSING

### Batching by micro

USING its own single board computer, based on the Intel 8080 processor, Richard Simon and Sons has developed a controller for batch weighing which enables all the usual data to be stored and updated as necessary to suit the job in hand.

Basic sequence data is pre-programmed by the maker, and the user can then enter material code numbers and required weights for up to 12 components. In addition the user can program change over from main feed rate to dribble, tolerances on the weighed quantities, compensation for "in-flight" material and certain alarm levels. Thereafter the weighing sequence for the associated batch weighing equipment is completely automatic.

## Pumps corrosive liquids

A SMALL GEAR pump assembly from Leadfields Engineering of Corsham, Wilts., operates fully submerged in highly corrosive fluids and is believed to be, says the maker, the first agricultural pump application for Polypenco GL25 glass filled PTFE.

Previous use of stainless steel with glass-filled PTFE liners was dropped early in the development in favour of the glass filled material for the main components. Although an unusual

## NAVIGATION

### Easier to get a fix

MARINE radio receiver developed by Magnetic Components of Falmouth is linked by a permanent cable connection to a hand-held direction finding unit with its own aerial, compass and null indication light.

Main advantage is that bearings can be taken which are independent of ship's heading and are unaffected by its motion: the task can be carried out effectively in any weather from cabin or cockpit or anywhere else on the craft. Compass used in the hand-held unit is a modified Sestrel Surelight with Beta-Light illumination for night viewing.

The main receiver has short, medium and long wavebands, a 7 x 3 in loudspeaker and can be mounted at any angle on a bulkhead. It uses a ceramic element IF filter, synchronous detector, and is equipped with beat frequency oscillator, product detector and sharply tuned audio filter.

The frequency of a beacon, taken from the nautical almanacs, can be set to within 0.1 kHz, appearing in inch-high figures on a four digit liquid crystal display. When the hand held unit is pointed correctly a lamp dims, the pointer on the main tuning meter dips, and the audio signal fades. More on 0326 72267.

### Water pipe leak detector

DEVELOPED BY the Water Research Centre is a technique that allows simple detection of leaks in both drinking water mains and pressurised sewage mains.

Sulphur hexafluoride, a non-toxic, non-flammable, tasteless and odourless gas is injected into the main at a concentration of about seven parts per million by weight. The input flow rate of the gas is accurately monitored by a device designed at the Centre.

When water escapes from the pipe the gas comes out of solution and permeates up through the ground to the surface, where holes are drilled for it to accumulate. The hexafluoride is about six times denser than air so that it collects at the bottom of the holes. It is detected with a leak gun manufactured by AI Industrial.

The method is particularly suited to rural areas where lack of fittings preclude sounding methods. Leaks at 1.5 metres depth have been detected.

More on 0438 2444, ext 303.

## COMPUTING

### Floppy disc source

GERMAN chemicals giant BASF has appointed Datac of Altrincham as the official UK distributor of floppy discs and drives. The UK company will also undertake servicing.

The agreement covers the 6101 and 6102 eight inch drives and also the new 6106 5.25 inch mini disc drive. The low cost, compact size and fast access time of the 6106 makes it particularly suitable for microprocessor-based applications such as terminals and control systems.

Datac will shortly be offering a controller for this "micro" system together with a packaged unit consisting of drives, controller and power supply in a free-standing or rack-mounted case.

More from the company at Tudor Road, Altrincham, Cheshire, W14 5TN (061 941 2361).

### Sales will grow fast

WORLD MARKET for telecommunications equipment will more than double by 1987, when it will total \$65bn as compared with \$30bn in 1977. That forecast by Arthur D. Little, Inc., has just been presented to telecommunications executives from both hemispheres attending the firm's executive forum on the outlook for international telecommunications held in Amsterdam.

According to ADL's telecommunications experts the total volume of related services such as research and development, installation, engineering, operations and maintenance is about the same as for equipment sales.

Private systems (largely restricted to the U.S., Europe and Japan) will grow the fastest, at an annual rate of 10.2 per cent between now and 1987. However, both switching and transmission and local distribution represent major markets with \$21.4bn and \$23.4bn respectively projected for 1987, or more than one-third each of all equipment sales.

Annual growth of 8.1 per cent, by the transmission and local distribution market over the next decade is forecast. Radio

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So has his Chemical banker, Denny Baird. International Harvester employs many financial institutions. But the International Harvester-Chemical Bank relationship has been buttressed by the fact that both enjoy a strong physical presence throughout the world.

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At the same time, U.S. needs haven't been neglected. Recently, competitive pricing and fast turnaround have helped Baird furnish a multimillion dollar financing package for the International Harvester Credit Corporation.

While there is a professional relationship, Milnor and Baird will tell you that it's also personal and rewarding. That's what usually happens when corporate officers get together with Chemical bankers. And what results is bottom line benefits for both the company and the bank.

William D. Baird, Jr., Vice-President, Chemical Bank.  
Photographed in Florida crop beds prepared by International 1066 tractor.

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مكتبات الأمل

# The Management Page

EDITED BY CHRISTOPHER LORENZ

## GKN: searching for new outlets

IN PRIVATE, British component manufacturers are rarely slow to criticise the shortcomings of British Leyland. But they are nevertheless forced to grudge its admiration of Leyland's performance in one area of its own field—spare parts distribution.

In this business, Leyland has unquestionably shown them the way. It has constructed a large operation (turnover of more than £300m.), with an astonishingly high rate of return (profits of about £70m.), and with a much more entrepreneurial approach to market opportunities, as in the development of Unipart, than any of its rivals.

This record of success is now being underscored by GKN's appointment of Mr. Jerry Clancy, the man who used to run Leyland's parts division, as a new distribution supremo.

By contrast with the State-owned motoring giant, GKN, Britain's largest engineering group, has up to now shown feet of lead in the distribution field. Ten years ago, according to Mr. Basil Woods, planning director, it took the decision to establish itself in spare parts distribution. But since then it has done very little, moving only into what Woods calls the "bizarre end of the trade" with a chain of cash-and-carry warehouses sell-

ing mainly accessories under the GKN-Spa banner. It is by no means clear as yet where Clancy will take GKN. His brief is simply to get the company into the distribution sector as quickly and as aggressively as possible. This could suit to form the base of an

### Terry Dodsworth on why Britain's top engineering group is so keen to move into distribution

mean acquisitions of existing businesses, development on green field sites, or even on the Continent and in the U.S. But at the moment, GKN is waiting to see what opportunities Clancy manages to unearth in his initial research period.

"This is a highly entrepreneurial business," says Woods, explaining the appointment. "Most of the businesses in this field centre on an individual, and flow with one person's drive."

On the face of it, GKN's options appear limited. Until a year ago, it would have been a reasonable bet that it would try to force its way into distribution with one big acquisition—Clancy is said to have £100m at his disposal. But the last real opportunity on this front seemed to disappear about a year ago when Burmah Oil

began a management overhaul at Quinton Hazell, its parts distribution subsidiary, which had been a possible candidate for sale. At the same time, GKN's own product range is not ideally suited to form the base of an

internally constructed parts distribution organisation. Most of the other big UK component distributors have arrived on the scene via this route, establishing wholesaling organisations—Armstrong Equipment has also made a serious attempt to set up a large number of retail shops—with a basic range of products made by the company as replacement parts, into its product range.

Thus Lucas's businesses are based on its own electrical parts, and Associated Engineering's on its precision engine components. The trick, then, is to persuade other component manufacturers that they need to distribute through outlets other than their own, if they are not to lose business.

GKN's acquisition and expansion policy in the 1960s was designed to give it an appro-

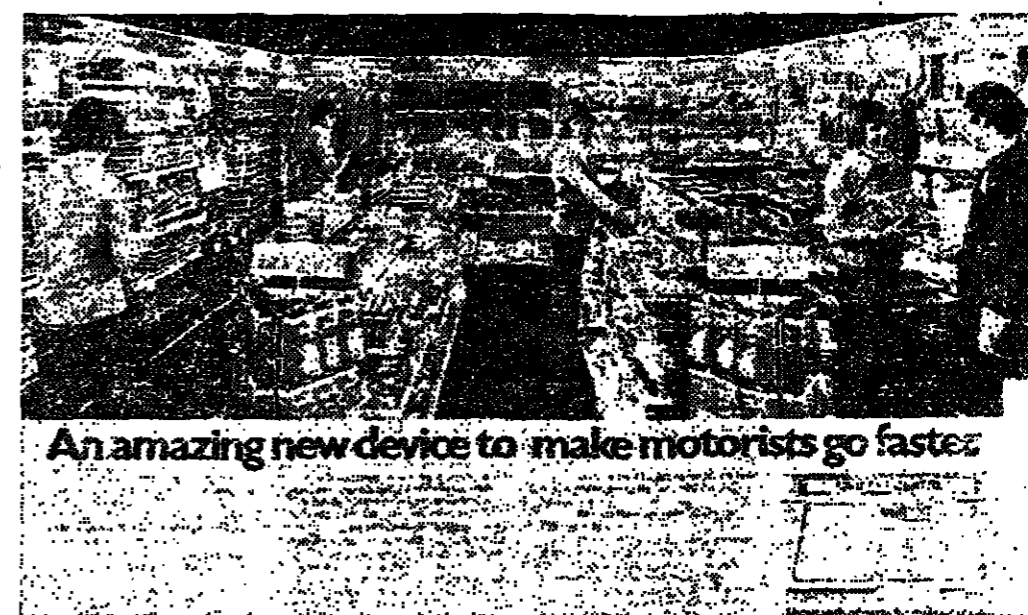
priate in-house range for spare parts distribution. This has brought into the group shorter-life components like joints, bearings and axles, all complementing its basic forgings business. But ideally it needs additional short-life parts, with a more rapid replacement cycle than its own forged equipment, to form the basis for a big distribution network. This was one of the reasons behind the proposed acquisition of the Sachs Group of West Germany—which has been blocked by the German Supreme Court. It would have brought clutches and shock absorbers, both in high demand as replacement parts, into its product range.

The other possible strategy for GKN is to use its muscle as a strong company with a wide knowledge of the motor industry to set up an independent distribution arm with little or no bias towards its own products. The difficulty with this approach is that it would be buying parts from other component manufacturers, which would then be competing with it for

distribution business. This has always been a problem in the industry, and for many years it made the growth of the larger groups difficult. But Woods believes that it can be overcome. "Getting supplies," he says, "is a scale problem, and you must also remember that they (the competitors) depend on us for supplies as well."

Woods' own, unspoken, prediction seems to be towards this more independent type of operation. His belief that GKN still has time to establish itself in distribution is based on the type of operations which exist in the U.S. These are generally independent, in the sense that they are not attached to a parts manufacturing company, and have achieved their prominence entirely through their competence in the distribution field—namely the ability to give a rapid and efficient service.

In the U.S., there are national distribution systems which can offer 24 hours' service throughout the country," says Woods. "Who has ever heard of a repair shop in the U.K. being able to say to a car owner that the part will definitely be there the following morning? This sort of thing is standard in the U.S., and a management of customers' similar approach in Britain stock levels on a sale-or-return basis, and rapid stock turnover for us to break into the UK



An amazing new device to make motorists go faster

Leyland's Unipart—is this the way ahead for GKN?

market even late in the day." A straightforward copy of the American system would probably not be possible in Britain or on the Continent. This is mainly because the Americans make simpler cars with a far greater number of common parts. But the principles on which the American companies have grown—detailed computerised analyses of vehicle "populations," and a management of customers' stock levels on a sale-or-return basis, and rapid stock turnover for us to break into the UK

vide guidelines for GKN's increasing number of foreign cars coming on to British roads. GKN sees things differently. It has identified distribution as an area which can inject real growth into its business, and it is prepared to move almost as far as the retailing sector in order to achieve these aims. Indeed, Woods says that it might consider franchising retailers, so that, in a few years' time, GKN's name could well be scattered along Britain's High Streets, with franchised retailers "selling under our banner."

market even late in the day." A straightforward copy of the American system would probably not be possible in Britain or on the Continent. This is mainly because the Americans make simpler cars with a far greater number of common parts. But the principles on which the American companies have grown—detailed computerised analyses of vehicle "populations," and a management of customers' stock levels on a sale-or-return basis, and rapid stock turnover for us to break into the UK

IT IS hard to imagine a family atmosphere in a company which employs nearly 400,000 people all over the world, but that was part of the character of Philips which Frederik Philips, a member of the second generation of the founding family, was determined to retain. He admits that, as the boss's son, his route to the top "did seem to be mapped out in advance," but he points out that a dynastic succession has its advantages.

To have a member of the family at the top imparts a sense of stability and security. The family tradition strengthens the links between the managers in the outpost and the top men in the head office. "The people in distant lands," Philips writes, "can say to themselves, 'There is someone in head office who

will never leave us in the lurch to improve his position elsewhere."

Paternalistic, non-bureaucratic and strongly imbued with Christian principles—this is the philosophy which emerges from Frederik Philips' account of his years with the company. He joined as an engineer in 1930, became a member of the Board in 1954 and was president from 1961 to 1971. Strongly influenced by Dr. Frank Buchman and the ideas of Moral Rearmament, Philips believes that industry's role in God's plan for the world is to serve the community of which it is part. Similarly the manager, in making his commercial decisions, "cannot leave his duty towards his personnel, his country and the world, out of consideration."

This is a personal record, not a corporate history. Philips describes briefly the company's disappointing experience with computers (including the breakdown of Unidata "for reasons which had nothing to do with us"), the move into integrated circuits and the acquisitions of such companies as Pye in the U.K. and Igmis in Italy.

But there is no account of the internal deliberations which presumably preceded these strategic decisions. On product planning the company has stayed within the broad strategy laid down by his father—to be a pioneer in consumer products and to steer well clear of heavy engineering. Anton Philips liked objects that could be put on his desk.

Philips believes that the success of a company depends, not on structure or organisation, but on the attitudes of the people who work in it. But the organisation was profoundly influenced by external events, especially the Second World War. Because the links between

## The paternalist who governed Philips with a sense of moral purpose

the overseas companies and the world's political leaders. He Eindhoven were virtually broken for five years, these companies became much more independent. The management in Holland decided after the Nuremberg trial that his experience of policy of centralisation, but to move towards "a democratic federation of Philips establishments."

### Politicians

Unlike most other large companies, Philips has never had an international division. "We do have men in Eindhoven who co-ordinate all contacts with foreign establishments and who look after their interests rather like envoys. But we give relative autonomy to these establishments and they report directly to the Board of Management. So the head office has to be able to grasp local problems in addition to the general business aspects. We have to know the conditions under which our people are working all over the world and have a feeling for the political climate in each country. This means going to see for ourselves."

Helped by his name and in some cases by contacts made through Moral Rearmament, Philips had access to most of



Frederik Philips (left), sitting with Konosuke Matsushita, founder of the Matsushita Electrical Industrial company.

family; he was imprisoned for side Europe and North America several months and later had to go into hiding. But after organisation (though "the liberation, despite damage to Dutch contribution will continue the plant and the loss of many time to get priority"), but the Philips people, the company primary objective remains the was able to get back on its feet same—that Philips must be with remarkable speed.

As for the future, Frederik Philips is optimistic about the ability of his company to continue to play its part in bringing prosperity to the world. Managers from countries out-

## Champions at risk

EUROPEAN management champions John Chappell and Paul Webb are in danger of losing the United Kingdom national title which they have held for the past two years.

Unconfirmed reports from the National Management Game headquarters in London indicate that the Rank Xerox pair are struggling at the mid-way stage of the quarter final round, which ends on June 8.

Unless Chappell and Webb, both cost and management accountants, can find the resources for a booming finish they will lose not only the £1,000 UK prize but also their chance of retaining the European title, which they won at West Germany's leading business school last autumn.

Whoever wins the national championship in London on July 25 will automatically be invited to travel to Stockholm in September, to represent the UK against the champions of other European nations.

The experienced Rank Xerox contestants confidently managed their "paper" consumer-durable company to a winning profit in

their part of the draw during both the preliminary rounds. Now, however, with only about three "trading periods" remaining—each involving decisions on how much banked or borrowed cash to invest in marketing, production, research and so on—they are said to be lying "a poorish second at best" in their current playing group of four teams.

Only the top side in each group will be selected by the computer for the semi-finals. The identities of Chappell and Webb's opponents in the quarter-final are being kept a close secret at the game's headquarters. But it is understood that the survivors include a lone British banker playing by Telex from Tokyo.

Meanwhile, 43 other teams are competing for a subsidiary £500 prize in the "Plate" contest for first-round losers in the championship proper, which is also sponsored annually by the Financial Times, ICL and the Institute of Chartered Accountants in England and Wales, in association with the Institute of Directors and Confederation of British Industry.

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For further details please ring 01-248 8000, Extn. 266

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21 June 1978 in London

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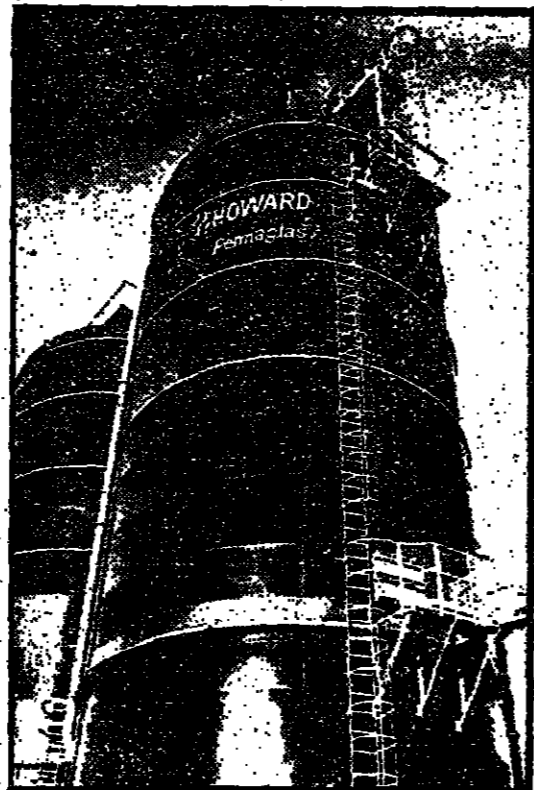
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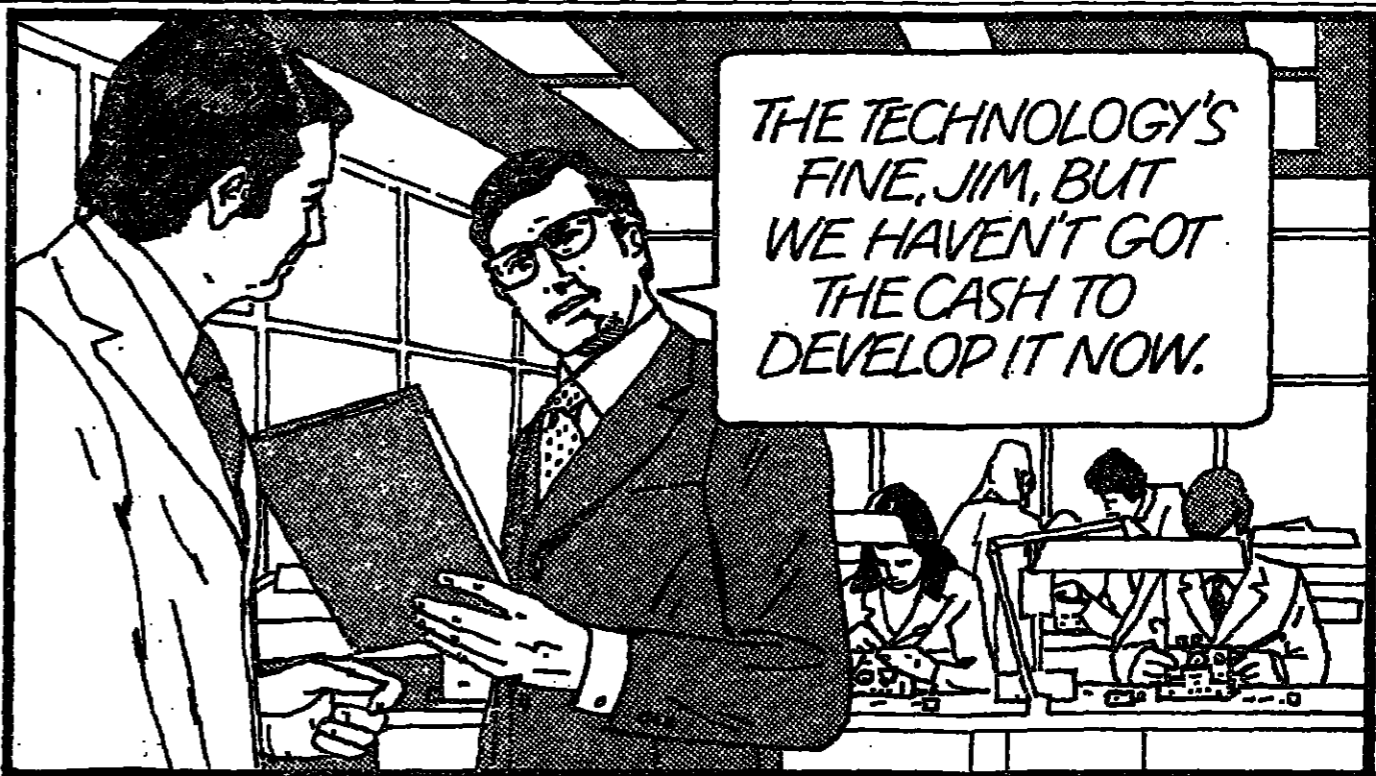
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27650	2625.30	8942/30	10562/70	14132/5	17387/8	20513/4	23822/30	27925/30	31462/70
31112	2626.1	8943/30	10563/70	14133/5	17388/8	20514/4	23823/30	27926/30	31463/70
31113	2626.4	8944/30	10564/70	14134/5	17389/8	20515/4	23824/30	27927/30	31464/70
31114	2626.7	8945/30	10565/70	14135/5	17390/8	20516/4	23825/30	27928/30	31465/70
31115	2627.0	8946/30	10566/70	14136/5	17391/8	20517/4	23826/30	27929/30	31466/70
31116	2627.3	8947/30	10567/70	14137/5	17392/8	20518/4	23827/30	27930/30	31467/70
31117	2627.6	8948/30	10568/70	14138/5	17393/8	20519/4	23828/30	27931/30	31468/70
31118	2627.9	8949/30	10569/70	14139/5	17394/8	20520/4	23829/30	27932/30	31469/70
31119	2628.2	8950/30	10570/70	14140/5	17395/8	20521/4	23830/30	27933/30	31470/70
31120	2628.5	8951/30	10571/70	14141/5	17396/8	20522/4	23831/30	27934/30	31471/70
31121	2628.8	8952/30	10572/70	14142/5	17397/8	20523/4	23832/30	27935/30	31472/70
31122	2629.1	8953/30	10573/70	14143/5	17398/8	20524/4	23833/30	27936/30	31473/70
31123	2629.4	8954/30	10574/70	14144/5	17399/8	20525/4	23834/30	27937/30	31474/70
31124	2629.7	8955/30	10575/70	14145/5	17400/8	20526/4	23835/30	27938/30	31475/70
31125	2630.0	8956/30	10576/70	14146/5	17401/8	20527/4	23836/30	27939/30	31476/70
31126	2630.3	8957/30	10577/70	14147/5	17402/8	20528/4	23837/30	27940/30	31477/70
31127	2630.6	8958/30	10578/70	14148/5	17403/8	20529/4	23838/30	27941/30	31478/70
31128	2630.9	8959/30	10579/70	14149/5	17404/8	20530/4	23839/30	27942/30	31479/70
31129	2631.2	8960/30	10580/70	14150/5	17405/8	20531/4	23840/30	27943/30	31480/70
31130	2631.5	8961/30	10581/70	14151/5	17406/8	20532/4	23841/30	27944/30	31481/70
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31132	2632.1	8963/30	10583/70	14153/5	17408/8	20534/4	23843/30	27946/30	31483/70
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31136	2633.3	8967/30	10587/70	14157/5	17412/8	20538/4	23847/30	27950/30	31487/70
31137	2633.6	8968/30	10588/70	14158/5	17413/8	20539/4	23848/30	27951/30	31488/70
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31140	2634.5	8971/30	10591/70	14161/5	17416/8	20542/4	23851/30	27954/30	31491/70
31141	2634.8	8972/30	10592/70	14162/5	17417/8	20543/4	23852/30	27955/30	31492/70
31142	2635.1	8973/30	10593/70	14163/5	17418/8	20544/4	23853/30	27956/30	31493/70
31143	2635.4	8974/30	10594/70	14164/5	17419/8	20545/4	23854/30	27957/30	31494/70
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31147	2636.6	8978/30	10598/70	14168/5	17423/8	20549/4	23858/30	27961/30	31498/70
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31206	2654.3	9037/30	10657/70	14227/5	17482/8	20608/4	23917/30	28020/30	31557/70
31207	2654.6	9038/30	10658/70	14228/5	17483/8	20609/4	23918/30	28021/30</	

Tuesday May 23, 1978

The revolution in communications produced by the growing array of audio-visual media still has a long way to go. Up to now the major uses have been in the entertainment and cultural fields, but there remain great opportunities for their use in education and training.

**By John Chittock**

**THE MODERN** media of communication embrace a confusing array of electronic technologies—not only television, now quite old-fashioned, but video recording, teletext and Viewdata (the TV data systems), satellite communication, computer graphics, even electronic picture processing which renders visual information as malleable as binary coding.

In Britain, these developments have grown from an historical base of invention and refinement of the audio-visual media. Photography owes more to the British inventors than to any others; likewise television and arguably cinematography. In more recent times, the extension of broadcast television services into daily data transmissions—through the BBC's Ceefax and

**IBA's Oracle systems**—has been another case of British pioneering: likewise holography (used in 3D picture-making), much of the work in fibre optics (which allow light to be sent along "cables" like electricity), to say nothing of our skills in making creative use of the media.

One consequence of this is that, for all the innovation displayed by the British, it comes as merely part of a process of technical and creative evolution—built upon the experience of the country that pioneered the first public television service in the world, invented the negative/positive photographic process and conceived the idea (and the name) of the documentary film.

Some would argue that in the late 1970s this also yields a handicap. In many countries in the Middle East, television arrived before the cinema had become established. And even in Australia and Canada, where the film industries have achieved international respect, there has been sufficient freedom from cinematic tradition to allow the new media considerable scope in development.

In consequence, Australia has become a very video-minded country—like Canada and some of the more affluent nations in the Middle East. Many Arab schools and hospitals have the more sophisticated internal video systems for use in communication and education—

often installed by UK suppliers, and often more refined and versatile than many in the UK.

It is almost as if the countries with the deeper-rooted film tradition are taking longer to discover practical uses for the new media. For example, not only is the USSR very slow to make a significant switch to video and other new media; it actually clings to 35 mm film as a production gauge in situations where the west prefers 16 mm film. Since the Soviet Union contributed a key chapter to the history of the cinema, notably in the 1920s, it confirms the notion that old traditions die hard.

## Abandoned

In China, the situation has been hardly any different. Indeed, Peking has recently constructed a new Technicolor film processing plant—using the three-strip colour process that dominated colour cinematography in the west, but which has now been virtually abandoned in Europe and North America as new systems have taken over.

For the businessmen and media entrepreneurs, it seems that market research into the future might be best carried out beyond our own shores. What the Arab countries do today in television, may be Britain will do tomorrow. Where cinematic traditions are firmly

established, video will take longer to find acceptance.

These are largely technological symptoms. Where a country has fewer economic constraints but pressing needs for a crash programme in communications, then technology can offer ready-made answers. The Japanese have demonstrated aspects of this, although oddly one tends to think of them as innovators rather than users driven by necessity.

Other factors have also contributed to national characteristics in the media world. Political attitudes have, for example, inhibited the development of cable television in the UK—whereas the free-wheeling enterprise of North America has encouraged it. Environmental factors have played their part too: in the U.S., cable television started because some geographical situations made it almost an inescapable fact of life. In Holland it has had a head start because the country is conditioned into having a wide choice of TV programming. It is situated as it is in the reception area of TV services from bordering countries.

In consequence, growth in the development and application of the audio-visual media has not followed always rational paths. Some countries have jumped ahead first into the jet age, bypassing the piston engine, while others continue to rely on the oxen.

however, gradually beginning to level out—or catch up. The 35mm colour slide, the audio-cassette, and the 16mm film are now almost universal standards around the world—and popular tools in most countries. And if ideas about applications have tended to differ in the past—in the USSR "industrial" films tended to mean advertising films—there is less to distinguish national trends today.

## Imbalance

The imbalance persists in the electronics media. Paradoxically, the Third World regards television as more of an educational tool than the west; but technical progress in Europe and the U.S. is turning television into such a flexible medium that we may well have to relearn how to exploit it.

Perhaps the greatest revolution, in the west at least, is yet to come through this shift in attitudes. The mass media have for long been regarded as the preserve of entertainment, and the specialist stuff of the slide and 16mm film has been relegated to education, training and information purposes. Yet the economic future of the west may well hinge on re-training and the re-motivation of our workforces. A massive job is looming ahead, and for once we do have the tools with which to tackle it.

This presupposes a new level

of awareness in political circles. While the allocation of the fourth television channel has occupied the debating arena in Britain over the past 12 months, the argument has largely centred on at worst entertainment uses and at best cultural ones. We were not submitting to the Annan inquiry the industry's claim for a fourth television channel for training, productivity and re-employment purposes? Some of Annan's proposals, notably the Open Broadcasting Authority that would run the fourth channel, left the door ajar but the politicians quickly slammed it shut again.

It may be that private enterprise will once more have to show the way as it has done in exploiting the training film. Most of the industrial training media of the Western world is produced on a commercial basis, where the main criterion is not "will it help the national problem?", but "will it make a profit?" In consequence, the popular subjects such as sales training are over-served, while others—such as industrial relations—are neglected, except in areas where impending legislation makes a subject urgent overnight.

Early signs of this are evident in the operating structure that is emerging for the Post Office's Viewdata system. In making every TV set in the country a potential visual display unit, its ultimate success will depend on

the quality and relevance of the information supplied. The Post Office has decided to leave this in the hands of private enterprise: over 80 organisations are already signed up as "information providers," and anyone wishing to access the information will pay for it (via their telephone bill) at whatever rate the provider reckons the market will stand.

Up to a point, this should work very well. But is it not time for the national need to be more positively serviced than by the fickle forces of the market place?

Australia had started to demonstrate some of the potential benefits when it established a Department of the Media. This enabled national priorities to be seen across the media spectrum—embracing all the traditional audio-visual aids alongside film production, the cinema and broadcast television. The Department of the Media went with Whitlam, and notions of anything similar in Britain are charged with political sensitivities and thoughts of 1984 being only five years away.

## Freedom

Yet traditional media like magazines and books have yielded a freedom of choice because they are relatively inexpensive to produce and have a potentially big commercial outlet. The new audio-visual

media are expensive to produce—a 30-minute television programme can easily cost £40,000 before the distribution costs are reached; and in the west the available market is nothing like the 90-plus per cent of adults who are able to read. In consequence, different criteria apply to the new media, as indeed were thankfully allowed to prevail when the BBC was entrusted with creating a television service in the late 1930s.

If governments will not grasp this nettle, at least some would argue that they should release the political brake to allow private enterprise to fill the gap. In Britain, the Cable Television Association has long had plans to bring a wide array of TV material into homes, and at least one consortium in the past was frustrated by Government in its attempts to run a "television for industry" service.

If our economic and industrial problems get worse before they get better, perhaps necessity will drive us to make more positive use of the media. India, anxious to check its accelerating birth rate and desperate to raise food productivity, has already used satellite television to educate its scattered population. America provided the satellite and Britain some of the production know-how. But it was left to India to provide the problem. Maybe the moral for media people is to look east for a light on the future.

## Freedom

Yet traditional media like magazines and books have yielded a freedom of choice because they are relatively inexpensive to produce and have a potentially big commercial outlet. The new audio-visual



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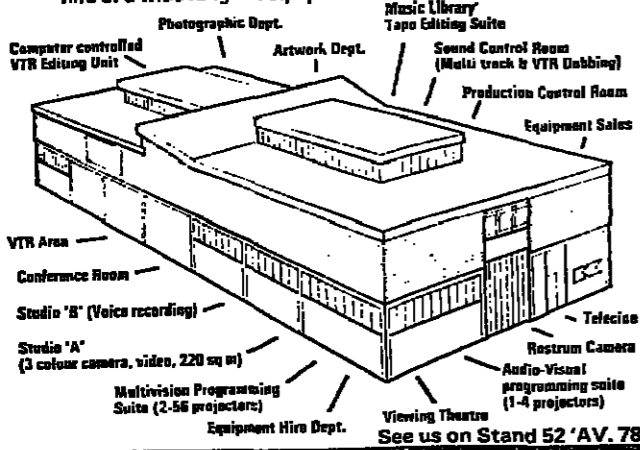
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## The film and its influence

THE INDUSTRIAL film provided financial fertility for the documentary film as we know it today. The creative ideas and entrepreneurial climate that gave birth to the documentary film movement of the 1930s owed its origins to sponsorship. The first of the species was about one of Britain's key industries—herring fishing. Drifters, sponsored by the Empire Marketing Board, was released in 1929 and brought a new kind of cinema to the screen—the cinema of realism.

Since then, the documentary film has chartered (almost unwittingly) the professional and hidden truths of social change, and in the industrial films of this span of nearly 50 years we have a unique insight into technical and commercial growth.

A sponsored documentary film is clearly trying to say something, honestly or dishonestly, negatively or positively, as a fair or distorted reflection of its subject. Consciously or unconsciously it is a complex expression of what its sponsors feel, believe or aspire to doing in relation to the environment of the time.

Thus John Grierson's *Drifters* reflected contemporary preoccupation with the Empire, trade and resources. Its sponsors, the Empire Marketing Board, existed to make the public aware of the industry and activity of the British Empire.

The somewhat heroic style of *Drifters*, which revealed the gritty life of seagoing fishermen, also reflected a growing concern for the lot of working people—as did later films made by Grierson and his disciples.

Yet it was only possible because the climate was right, and the films thus reflected the ideals of the time; as Grierson himself described it, "documentary film was created to fill a need, and it has prospered because that need was not only real but wide."

Since then, the films of industry have proliferated at an increasing rate, filling great or imagined needs like the output of so many Renaissance painters. Films provide a vivid portrayal of society's dreams; behind their symbolism and rationalisations a wealth of social truth.

A psychoanalyst 50 years hence might well reckon that the industrial films of the 1950s and 1960s reflected an urge to look at the world afresh. Gone was the pre-war emphasis on social themes, replaced by a brave new world of technology and affluence. This was typified by many films of that era: *Shell's Song of the Clouds* (about air transport) and its classic *The Road World* (about insect control). Unilever produced a brilliant series on scientific themes loosely related to food and household products; a never-ending output of films emerged on atomic energy, engineering, plastics and industrial technology; and occasional indulgences for affluent man came in swinging fantasies like *Pirelli's Tortoise and the Hare* (a love affair on the Italian auto-strada).

When social themes did appear, they had a comfortable feeling about them, like Ford's *Everyday Except Christmas* (the story of Covent Garden market) and *Kayser Aluminium's Why Men Create* (an amusing disquisition on creativity through the ages). No doubt we all did feel rather comfortable in those days, despite the cold war.

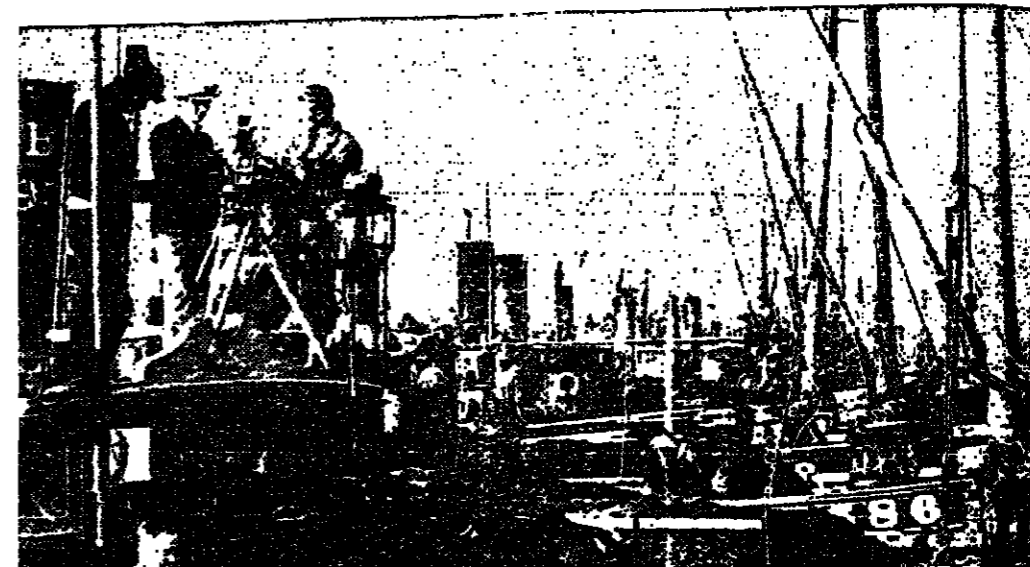
Since then a new preoccupation has crept in. The themes

became generally more pragmatic, concerned with specific products or the daily problems of industry. Selling banking and financial services (mainly from Midland Bank and Barclays Bank in particular); an increasing trend towards employee behaviour and human relations; a boom in training material.

In very recent times, if a new trend is discernible at all, it may well be about corporate affairs and international relations in industrial and commercial activity. The latter theme is not merely exporting in a grander style, but a real sense of internationalism creeping into sponsored films.

Shell pioneered this long ago by ensuring that all of its films were free of national clues or idioms. But the films of others now perpetuate this trend—a Wimpey construction film could have had its origins in any European country; a German railway film could be a British or French one if it wasn't for the rolling stock being different; a Swedish management film tackles and reflects all the same problems in the same way as those of most Western nations.

National barriers, economic disparities, corporate identities



John Grierson (on right of camera), pioneer of British documentary cinema, directing a scene from *Drifters* in 1929.

are all being levelled in the industrial films of today. It is as if the sponsors were moving towards the fait accompli of a universal society where the old divisions of interest are being eroded. Even on a more detailed level, the preoccupation of present-day industrial films (and video programmes) with labour relations perpetuates

this trend. A manager of the becoming a major audience 1930s and 1940s, even the group for present day films; 1950's, would be filled with dis- they are increasingly involved belief at the way that "them in their production—either in and us" have become one and front of the camera or even behind it. Whatever views may prevail about the Bullock Report, perhaps some of its ideas are already influencing industry's use of the media.

John Chittock

Problems for  
the producers

TWO particularly common features stand out from any survey of the current audio-visual scene—an explosive growth in the past five years in the number of companies using a-v (and the money they are spending) and an equally tremendous increase in the complexity of available equipment, techniques and basic media.

Put it another way: in 1972 most people thinking of anything beyond visual aids (basically lecture support) immediately gravitated towards the use of 16mm film. At that time viable alternative techniques were either established or unsophisticated or in their expensive infancy.

As a result life was relatively simple for both the production companies and the user. Any project with a sizeable budget was bound to end up as 16mm. The habit had been formed over a 40-year time span. Users—the production companies' customers—were very different from those around to-day. Before recession in the early/mid-1970s an amazing amount of money was squandered on high budget productions which, quite often, either accomplished literally nothing or were used for some particular event and then just left to lie on the shelves of a free loan film library. Although management by objectives had been around for years, only a few visionaries thought of applying analytical thinking to the use of audio-visual.

In terms of the producer, life was pleasantly uncomplicated. A-v in general (and film in particular) had a mystique which somehow kept the buyers from asking nasty questions about budgets, and a whole industry grew up around a number of very small individual companies which, in most cases, only needed to produce a few films a year (using rented equipment, technicians and "talent") to make a very comfortable living.

## Leaping

But then what? Since the early 1970s technology and an increased customer awareness of audio-visual have been leaping ahead (practically hand-in-hand) until we have reached today's situation. One can now count on at least five different media being available for application to almost any project: film (16mm is still the format), videotape (as many formats as you or anyone else can possibly imagine), multivision (involving many, many slide projectors on one or more screens), simpler slide/tape programmes (usually using a pair of slide projectors) and film strip (there are, again, a multiplicity of formats/systems available). East of these media is especially right for a certain application. Most of them can also be used in combination to achieve the clients' objectives. One can, for example, produce on videotape and distribute on film, produce on film and distribute partially on video, convert slide/tape to film and/or video, make slide/tape programmes, convert them to film strip and convert the filmstrip version to video... or film. It really does go on etc., etc....

A contributory factor to the development of new systems has been education of existing users and the appearance of new ones in the marketplace. Economic stringency and the devotion of better management techniques (even into company backwaters like the public relations and film units) has made the production companies' clients much more aware of costs, achievement of objectives and, above all, cost-effectiveness. When the client

achieves his/her aims, he tends to use a-v again (and will often return to the same production company). If none of the aims are achieved then... nothing. So where does this leave the producers? Many of the traditional 16mm film production companies are, of course, still in business. Taking the UK British sponsored film festival as a yardstick, the number of film productions being entered for awards each year has declined only marginally (from 208 in the peak year of 1973 to 189 this year). But 16mm's share of the business had declined dramatically. Amalgamations (and liquidations) of the traditionally oriented film companies have been legion and one or two particularly interesting "giants" have emerged.

## Prominence

In the UK, for example, the rise to prominence of Cygnet Guild Communications—geared to tight budgets but still concentrating almost exclusively on film—has been significant, particularly as this originally small company has by now taken over what many considered to be the cream of the industry.

At the same time as many of the established companies have declined (or, to be kinder, been outpaced by development) a number of new specialists have made their mark—video production houses such as Zoom, Trillion or TVI; multi-vision producers such as Media, Applied AV, Prater, Audio Visual and Carabiner; specialist conference companies such as Roundel, MMA or Purchase; point; even low budget high volume slide/tape programme suppliers such as Martak.

However, the point must be made that these are specialist companies in the true sense of the word. Fine if you know exactly what you are doing (and don't confuse that with thinking you know what you are doing) but they do tend to major on one medium each.

Some of the production companies doing best now are those which have turned themselves into something rather like an advertising agency—using marketing and consultancy skills to help advise the client before getting down to creative work and, most important, help in arranging distribution. The problems involved are now fairly formidable. As well as choosing techniques which will help to achieve the client's marketing and financial objectives, the producer has to blend creative style with accounting ability, which would have been unthinkable 5-7 years ago. And things are not going to get any better.

CONTINUED ON  
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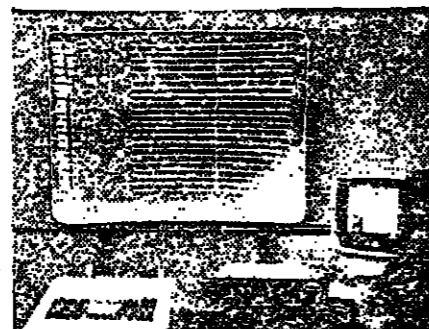
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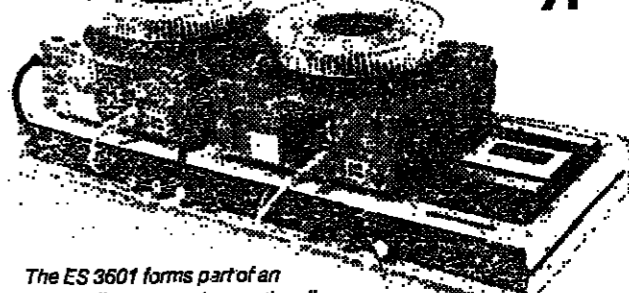
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## AUDIO-VISUAL COMMUNICATIONS III

# The safety and training boom

DAILY GROUPS of people of both sexes are clustered round television monitors or film strip play-back machines, or are sitting in makeshift cinemas equipped with a tape slide or 16 mm film projector. They are listening to their leader's closing remarks before the audio-visual aid they are going to see is switched on. What he has to say has been carefully prepared from that all-important leader's guide that in most cases accompanies the programme. Nowadays the trend is for packages of instruction comprising not only the audio-visual programme, but all sorts of documentation as well.

The leader has carefully tailored his address to fit the special circumstances of the people he is training. It may be that part of their job is to supervise others and he is going to show them "Safety and the Supervisor" which is a cautionary tale about a machine-shop accident caused by a failure to get priorities right. Or they may need to be taught the art of communication as a managerial skill. "Two-Way Communication," a recent re-make of one of the first films of this kind to be made in England, will do it nicely. Possibly they may need to know about a hearing in front of an Industrial Tribunal and the events leading up to it, then the film strip "The Case Before Us" will be found to contain many useful points for line-management and personnel specialists.

This list could be lengthened indefinitely. This is not to say that there is no safety or training situation which is not covered by one or other of the many audio-visual aids. Of course there is still a lot of scope for the enterprising producer of new programmes. But in the past five or six years there has been a great expansion in this area. No one cause sparked it off, but certainly the Robens Report and the appearance of the Health and Safety at Work Act 1974 had a great deal to do with the decision of Millbank Films, the brand leaders in the safety film market, to make their first two films. Though it must be added that the Health and Safety Executive, who distribute their films through the Central Film Library, have now compiled an impressive list of films.

### Dependent

Parallel with this and antedating it to some extent, was the production in Britain of audio-visual aids in the sales training and management-training areas. This market had been long established but was dependent to a very great extent on imports from the U.S., which seemed to have a monopoly in behaviourist and motivating films. Rank Aldis, Video Arts, Training Films International, and Management Training (a subsidiary of Guild Sound and Vision) are the principal names associated with this type of production.

There is a third area, that of the relationship which has to be cultivated between the employer, or his representative at any level, and his employee. The cause of this is the plethora

of legislation governing employment, such as the Industrial Relations Act 1971, the Trade Union and Labour Relations Act 1974 and the Employee Protection Act 1975—not forgetting legislation on sex discrimination and equal pay. This is a field which Macmillan Film Productions have made particularly their own.

Progress in the last five years has been rapid. Whereas when this British success story started the total expenditure for 12 months in this market was, according to the best estimates, barely £500,000, today it is put at least at £3m annually and probably more than that. It is expanding year by year as more and more companies in an increasing number of industries realise how cost-efficient audio-visual aids can be.

### Volume

It would be hard to find a more successful training film, produced in Britain since the boom began, than Rank's "Who Killed the Sale?" It has grossed approximately £500,000 in revenue in the past five years.

The advance in volume has also been prodigious. In five years Video Arts, under the chairmanship of Tony Jay, has made 27 films. Five years ago their initial print order for a production would have been no more than 20 prints, now they expect to get through 150 in the course of the first two months. Prints of its "Balance Sheet Barrier" have been hired over 1,000 times in its first year, while Millbank, with John Goodwin in charge of marketing, has sold the same number of their safety film "Make Light of Lifting." John Minoprio of Training Films International, a library for a number of independent producers, reports that business is 66 per cent up in the first three months of this year over 1977. Some 45 per cent of it in both years was contributed by safety films.

When we turn to film strips, small amounts are involved, but the expansion is just as remarkable. Take Macmillan's own figures, for example. J. Sainsbury, the food retailer, approached the company for training material to use with the La Belle film strip machine in 1973. Largely due to this, turnover was £70,000. By 1976, with Sue Fleetwood in charge of sales, it had risen to £180,000 and over 8,000 La Belle cartridges despatched, and the latest figures are expected to show a comparable improvement.

Another early convert to the use of the film strip in training was Woolworth, which now owns nearly 300 film strip projectors and has a library of 50 training programmes. To date it has invested over £250,000 with Macmillan's. It seems that retailers have a need for readily available training material to instruct an often mobile workforce. In many cases with a high ratio of part-timers.

Film strips are usually sold rather than hired. With lower production costs, in the £2,000-£4,000 bracket for a 12-15 minute programme, they can be marketed at around £50 each, and at that price companies can

afford to buy rather than hire. In fact Macmillan's estimates that it makes six sales for every one hiring.

With 16mm films and video-cassettes the opposite is true. Although Video Arts' film and gold award winner *Who Sold You This*, a training film for service engineers, sold 126 prints to 340 hirings, it is an exception. In general the ratio is six hirings to every sale.

Millbank's fully dramatised safety films sell at around £175, comparable with those from the Health and Safety Executive. Management and sales training subjects come out at about £100 more. Part of this higher price is accounted for by the use of well-known television actors and actresses in leading roles, a policy initiated by Video Arts, which has John Cleese on its board of directors. He has featured in almost every film they have made. Among the other famous names who have also appeared in training films are Arthur Lowe, Ronnie Corbett, Tessa Wyatt and Penelope Keith.

The boom seems likely to continue. The Health and Safety Executive has at least five films

lined up for immediate production. The subjects are diverse: safety when working on roofs; the safe use of mobile cranes on construction sites; the safe use of modern ships' derricks particularly when ships are under repair; a film for the Agricultural Inspectorate; and one or two films on the personal responsibilities imposed on both employers and employees under Section 7 of the Health and Safety at Work Act.

Millbank also has four safety films in various stages of production for completion this year, and a further six planned for 1979. They see themselves going as well into the field of industrial relations and plan some films on these. This is an area which Macmillan's is also currently investigating together with two other subjects: negotiating skills and transactional analysis. As Sue Fleetwood says, "video, film and film strip all have their place in training, creating atmosphere so that trainees can identify with situations more easily. It's a question of horses for courses."

Kenneth Myer



Television stars Tessa Wyatt and Richard O'Sullivan taking part in a sales training film entitled "How to Close the Sale" made by Rank Aldis.

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## The video battleground

THE KEY moment in the development of the home video market to date was the decision by RCA last autumn to adopt one of the two main rival Japanese systems. Not only did RCA back the Video Home System (VHS) developed by the Victor Company of Japan (JVC) and its parent Matsushita Electric, but the company also broke a significant price barrier by launching the recorder with a \$1,000 suggested retail price.

Confusingly known as the SelectaVision VCR—RCA calls all its video ideas SelectaVision and VCR is usually recognised in Europe at least as Philips' name for its videocassette recorder—the VHS system was given a multi-million dollar advertising boost with coast-to-coast prime time television commercials. This was much needed as the rival Sony Betamax had a head start in the market place. At one point it was even being suggested that Sony's advertising budget for the Betamax, said to be \$6m, was so large that the costs could not be recouped from expected sales.

Meanwhile, another Matsushita subsidiary, Quasar, was selling another system, exclusive to that company, called the Great Time Machine, as well as providing an American outlet for the VHS. As soon as RCA committed itself to a \$1,000 price for its VHS machines, Quasar reduced the list price of the Great Time Machine to \$995 and offered dealers an extra \$100 rebate, with the result that it was possible to find the GTM discounted to as little as \$795 in some stores.

Sony refused to indulge in such unseemly activity as price-slashing and left the Betamax at \$1,395, until the onset of the Christmas rush. When \$200 was suddenly knocked off. By the height of the shopping period, the asking price had stabilised to a typical \$995 and sales were limited only by the supply of machines coming in from Japan. About 250,000 video recorders were sold to American consumers during 1977, the vast majority of them in the last quarter.

With both sides claiming to be in the lead, the truth is that

honours are about even. Certainly Betamax had been out in front but has lost ground to VHS. A company supplying pre-recorded cassette programmes, Magnetic Video, reports that the ratio of demand had been 65:35 in Sony's favour at the start of the year but last month was equally split at around 10,000 copies for each system.

Sales have fallen sharply in the first months of this year. JVC reported a 30 per cent drop in January and 50 per cent in February—indicating that Betamax has been faring even worse. RCA is again advertising heavily to encourage a year-round buying habit, but some other companies are philosophical about the seasonal nature of sales.

The rivalry is not like that between different television set makers. It is absolute: the systems are incompatible. So the struggle is more than merely to see who can sell most machines: it is to determine which, if any, of the rivals will establish an international video-cassette standard.

In Europe the battle lines are even more complicated. Philips has been selling its domestic video recorders, the VCR range, for four years in a slow, steady way. Sales figures have not been issued, but Philips estimates that 97,000 video-cassette recorders of all makes were sold in Europe last year: that figure includes the institutionally oriented Sony U-Matic, which is very popular for industrial video installations.

With VHS in the shops since

the end of February and Betamax due here next month, Philips has already started to pull out the competitive stops. The price of VCR blank cassettes has been cut by 40 per cent—although even then they cost twice as much per hour as their rivals—and a new Philips three-hour tape has been promised for later this year, bringing VCR up to the same maximum recording time as the VHS. Dealers have started to discount VCR recorders, which can now be bought in London's Tottenham Court Road high street for £719. The VHS list price is £799 and Betamax will carry a £730 rrp label.

VHS's advantage in America seems to have derived, at least in part, from the number of companies lined up behind Matsushita and JVC. Apart from RCA, the adherents include Akai (already selling in U.K.), General Electric, GTE-Sylvania, Hitachi, MGA, Mitsubishi, Sharp and, most interestingly, the Philips subsidiary Magnavox. Betamax supporters include Aiwa, General Corporation, Nippon Electric, Pioneer, Sanyo, Toshiba and only one non-Japanese company, Zenith, the U.S. colour television market leader.

In Europe VHS can also count on Nordmende, Saba and Thomson-Brandt. So far only one British company, Thorn, has shown signs of getting into the act. In the past it made a cheap version of the Philips VCR, now it is interested in VHS. Philips has one long-standing, steadfast friend in Grundig, which is also to supply VCRs to ITT starting

in August. Seventeen other companies have at one time or another espoused the VCR format but few, if any, are now regarded as serious contenders.

So Philips has a tough fight ahead, and confidence in the Dutch company's ability to survive is not helped by knowing that both Sony and Matsushita have tried to persuade Philips to abandon VCR in favour of Japanese technology. But there will be a fight. JVC predicts British sales of 100,000 machines of all makes this year, but itself has only 5,000 dealer orders for delivery up to September. Philips estimates 200,000 machines sales in all Europe, of which the U.K. will probably take a third, roughly coinciding with Sony's prediction of 50,000-70,000 recorders.

The UK pattern will almost certainly not match U.S. experience. The addition of Philips to the equation diminishes the impact which Betamax and VHS can make for themselves alone. Philips and Grundig—the latter now planning to open a new factory to produce 250,000 VCRs a year with a four-hour running time—manufacture their hardware in Europe primarily for European markets. For the immediate future, Betamax and VHS are being made only in Japan, primarily for NTSC colour areas, i.e. Japan and the U.S. Europe is something of a production line distraction.

Before the end of 1978 a fourth party is expected to join battle. BASF initiated a project to develop a simpler video recorder with a fixed (rather

than rotating) recording head, a low-cost video camera. And on the same horizon is the Philips-MCA video disc system, which to some extent will compete for consumer attention and cash. Other related technical developments form a queue which backs up towards the end of the century. In the circumstances, it is hard to see how the video battle can ever resolve itself, except by peace. Perhaps even more significantly, Eastman Kodak is known to be engaged on a similar system—possibly even incorporating the recorder into

David Fisher  
Editor, Screen Digest

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At the same time, new means develop, such as communications satellites, video/cassette and video disc systems, and optical fibres.

The new services may be given "trade names" such as Viewdata, TV games, cable TV. But they may also be described by function, i.e., electronic mail, electronic journals, or simplified computer aided instruction.

Electronic mail is thus sent over data networks and Viewdata telephone links, with the aid of computer conference terminals or telefacsimile transmitters—and relying upon telecommunications satellites.

Interactive and to a certain extent individualised training can be performed with Viewdata, video discs and cassettes, cartridge-based video game systems and small home computers.

But which of all this will be reality in five years' time? Everything is a reality today, but not in a big way—and most of it will not be really big in five years' time, either.

Communications systems based on fibre optics will thus initially have their greatest impact in "special feature" markets, such as for instrumentation of aircraft and computers, heavy land telecommunications lines, etc. By the end of the period, for the world market for such

systems might approach \$500m. But beware—the Japanese are designing a cable city, based upon optical communications, in the Hi-OVIS project. Higashi Ikoma, near Osaka.

The other Japanese cable experiment, in Tama New Town, west of Tokyo, is just being completed. The public's high appreciation of news in any form and also of the simple telefacsimile "letters" transmitted to the home give clear indications of future developments. The other sign of a revival of the interest in multi-service interactive cable TV is the initially successful Qube project in Columbus, Ohio. Cable is a growth industry in the U.S. and will be so in Japan, but probably not in Europe for the next five years.

## Written

The Japanese have decided on a character based written language rather than an alphabetic system, and aim at pioneering in telefacsimile transmission systems. But electronic newspapers based on this system are still long way off.

Satellite TV in a way offers substitutes for cable. According to international agreements, each European nation possesses five direct broadcast satellite TV signals—but in practice only trials are expected before 1985, when the Scandinavian nations may have joined forces to share their 6-8 channels.

But not even the Scandinavians speak exactly one language. Here Ceefax-Oracle might come as a useful aid. Several of the still picture channels could be used for reality in five years' time? Everything is a reality today, but not in a big way—and most of it will not be really big in five years' time, either.

Broadcast text-TV would, however, have its main features in news flashes of general and specific kinds, in specialised information, local information—and most probably classified "special feature" markets, ads. This again brings us back to the topic of politics. In most West European countries these new means of communication are seen as more efficient for the world market for such specialised needs than the



The Philips/MCA video disc player.

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CABLE-TV  
VIDEO  
TAPE

What's the best way of watching how the future of TV develops?

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مكتبات الأمل

# Sliding to top spot in U.S.

IN THE United States one 1-inch equipment, it means media development has evolved over the past few years at the heart of American business communications. Now ranked number one, slides have exploded into high volume usage throughout the entire business community coast to coast.

Non-broadcast television and video recording have graduated from the fresh enthusiasm of a "new media" role to the more steady growth of the medium sifting out the in-effective applications. Super 8 motion pictures, a 15-year-old concept that never lived up to its advanced build-up, has recently caught on as a major selling tool.

The 16 mm film continues to be used heavily by business but at the meteoric rise of past decades. The film strip medium is going through an adjustment as the newer 16 mm and Super-8 film strip gauges take hold to compete with the traditional 35 mm film strips.

The slide medium, 35 mm film double frame in a 2 x 2-inch mount, is the current glamour medium. Sophisticated audio-visual programme control devices (dissolvers, synchronisers and programmers) have led to dramatic presentations involving as many as 15 projections. Furthermore, many slides are being used in conventions as a normal procedure.

For two or three years starting in 1972 the video medium had the centre-stage spotlight as corporations rushed to convert rather simple black-and-white in-house television production systems to colour and to add "video networks" using the 1-inch U-format video cassette players. That conversion is over and TV/video growth has slowed.

In the past year the appearance of the 1-inch home video recorder systems (two major systems not compatible with each other or with the older 1-inch systems of Philips and Panasonic/Matsushita) have muddled the whole video medium. For a company just moving into video, the decision is a matter of choice. For a company already geared up with

eventually having two incompatible parallel systems or phasing out the 1-inch system if the quality of the 1-inch units becomes acceptable. Schools and institutions which have limited budgets and must keep one system in operation over a long period of time are faced with some difficult decisions.

The tried and true 16mm film, long the dominant medium, came back from a period of slight decline several years ago. Manufacturers of projectors, such as Bell and Howell, Singer, Viewlex (formerly an RCA model), Eastman Kodak and Kalart-Victor, are being challenged by two Japanese firms with excellent machines, Elki and Elmo.

Sales of prepared training films increased 16 per cent in 1977 as they reached \$73m, passing educational film sales which jumped 17 per cent, a surprise to the media industry as observing school budgets became tighter.

## Education

Convinced that it can gain by the use of a-v media, American business last year spent more than \$1bn for a-v products and services (plus an additional investment of more than \$1bn for in-house production and more "Carousel-type" slide projectors). In comparison, a little more than \$750m was spent by education and another \$387m by Government, health-science institutions, religious and community agencies for products and services alone.

The leading business function in the use of a-v media is marketing. Most media money is spent to support and often carry the promotion and sales function for many companies and products. Some companies even owe their existence to the effective use of a-v media.

One of the success stories of the year could turn out to be C. R. Morse Company of Anchorage, Alaska. In 1976, when "Red" Morse wanted to display his new pipe handler, a huge tractor-type machine that can lift a mammoth pipe as a person would pick up a hammer, he found the booth rental at the big petroleum show in Tulsa, Oklahoma, would be \$18,000. Moving the rig down from

Alaska by train would be another \$18,000. And the "pipe handler" could not be demonstrated in a confined traditional booth.

Mr. Morse had a seven-minute \$18,000 sound movie made, bought two Fairchild Super 8 movie projectors and used them in his booth. Result: he landed contracts that raised his 1977 income to \$2m. from \$750,000 in 1976. It is now reported that he has landed a \$48m. three-year contract in Saudi Arabia plus several smaller ones. He credits the movie for getting his company off the ground!

Century 21, applying a new concept in real estate selling by franchising individual real estate companies to use a national programme, used Technicolor Super 8 sound projectors to build its programme. Now each franchised firm has films to recruit brokers (sales people), train them and use in the listing phase—showing people why they should list their home with a Century 21 broker. Total projectors: 3,000.

Point-of-purchase selling via a-v media is expanding rapidly. Movie and film strip projectors are becoming common sights in retail stores across the country.

A new firm, Jewelry Concepts, based in New York City, has 1,500 Technicolor Super 8 sound projectors placed in jewellery departments and shops to show women how well their little scarf clip works. Sales drop whenever a lamp burns out.

American Motors uses LaBelle 16 mm sound film strip projectors in 800 showrooms to point out features and accessories of its new cars. Each autumn for the past four years the manufacturer produces eight or nine programmes to use in the projectors.

A new game using a ball on a long pole (Jokari), could not get sales moving. The game could not be demonstrated in the confines of a store. Using a Super 8 movie the company has had a very successful first year. The role of training is gaining stature as executives realise that employees need development beyond just the actual job skills. A-v media play a major part in the process.

Sixteen millimetre films have

long been the backbone of the training field and continue their strong position. Even as video is used heavily internally, 16 mm training film sales in 1977 were more than three times those of prepared videotape programmes. Film strips are one of the most cost-effective training media, and the slide medium is becoming increasingly important. Within the past year a proliferation of rear-screen slide projector models have made the use of slides a flexible and low-cost medium.

With the advent of Super 8 sound cameras, that medium has also picked up momentum, especially among smaller companies not wishing to commit themselves to the long-range heavy investment of a video system.

The new video medium has become a significant factor. Several hundred companies, possibly 300, now have full-fledged in-house television production studios with a production studio and network of videocassette players located in plants and offices throughout the company facilities.

## Network

The most extensive video training and employee communication network in the country is that of the Bank of America—the world's largest private bank. It has 1,100 Panasonic VCS machines in the State of California alone, one at each branch. A staff of 13 in the San Francisco headquarters turns out 55 programmes annually.

Close to 1,000 business firms, Government agencies and private institutions sponsor films and some videotapes. Noteworthy is a five-film series, "American Enterprise," sponsored by Phillips Petroleum, which has achieved 200,000 bookings in two years with 10,000 prints. The programme has set records and high standards in sponsored-film distribution using Modern Talking Picture Service and Karol Media.

Another petroleum giant, Shell Oil Company, handles its own distribution with 20,000 prints booked from its Indianapolis, Indiana centre, and a drug company, Warner Lambert Pharmaceutical Company, has set a record of sorts

with its "The Story of Dr. Lister," which in 14 years has been seen by 120m people at a cost-per-viewer of \$5.86, or less than half the exposure cost via a colour full-page advertisement in a major national magazine.

Business spent \$1.7bn on the three leading media last year: The explosion of the slide medium resulted in more than \$757m being spent on the medium for purchases of projectors, a-v programme controls, slide-making equipment, custom-made slide programmes and in-house slide production.

Ranked second is the motion picture with expenditure of \$549m including hardware and software—proprietary film purchases, custom-contract production and in-house production.

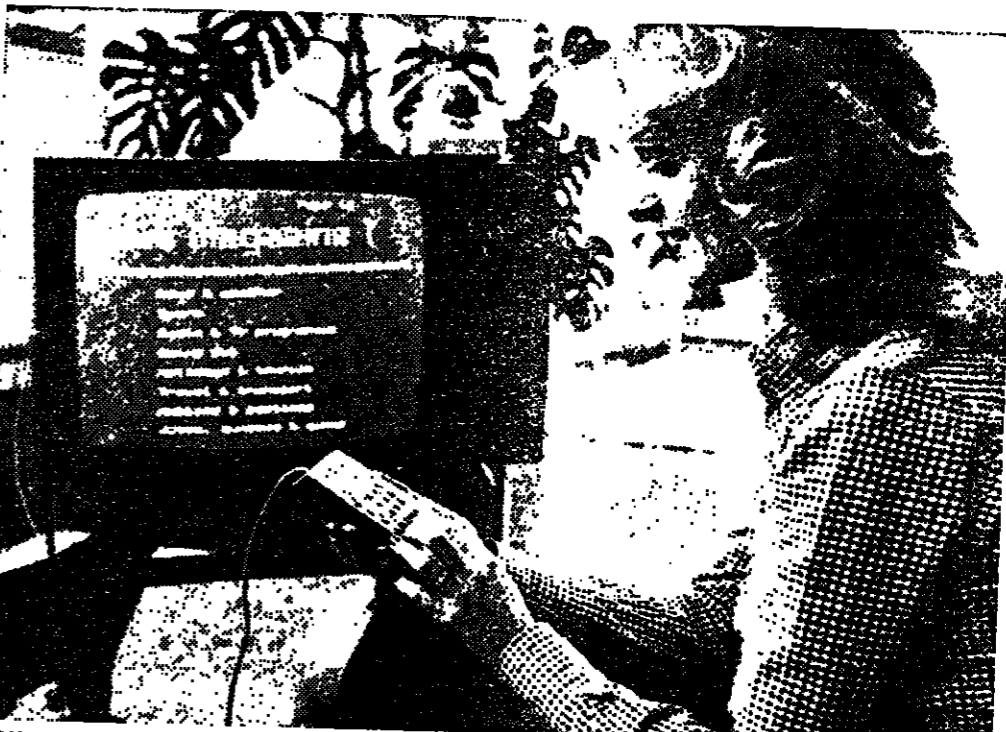
Third is the video medium with a total expenditure last year by business and industry amounting to \$361m, also including product purchases and production, but not including broadcast and TV commercial production.

Looking ahead, the most talked-of potential new medium is the video disc. Based on estimates for costs to produce discs in mass quantities, American business media experts seem to feel that the disc will not provide a low-enough cost to replace any of the pre-

sent media. Most training needs require less than 100 copies. If schools ever acquired video disc players in huge quantities, then business sponsors would show true interest. Copies would reach up into the thousands.

Projection television is around the corner as a practical tool, but needs further refinement.

The videotape/television system serves the requirements for immediacy at a higher cost. The 16 mm film serves the broad market today. The Super 8 film system serves the requirement for a highly portable motion media that can take a message video into a prospect's office. The film strip and the slide serve the mass need for reasonably-priced media. Slides have the additional feature of extreme video flexibility, especially to support the new generation of Japanese consumer video systems, of which VHS—produced by JVC, and specialised market sectors, and others—has been thus foreseen for these new



Viewdata, which enables people to call up information over the telephone for display on their television, is to be introduced by the Post Office early next year.

## Miracle

CONTINUED FROM PREVIOUS PAGE

systems of a higher resolution already arrived in Europe; electronic media in the next five years. It has, for example, been forecast that electronic mail would by 1985 have captured half of mail volume. Some companies are already shifting to this means of distribution simply because it is faster, more reliable—and cheaper. And why speak of electronic journals when computer conferencing opens up possibilities for truly selective discussion and distribution—instantaneously—of specialised information?

The caution about the development in the short run advocated here might seem peculiar against the background of the fast developing electronic technology. But the experience that information technology indeed was the field where the forecasters of 1970 overestimated the pace of development should teach us a lesson. The technology has been at hand for a while. Market acceptance is something else.

Much talk, much effort, and many benefits, mainly in limited consumer video systems, of which VHS—produced by JVC, and others—has been thus foreseen for these new

Tom Hope Matsushita and others—has been thus foreseen for these new

Bengt-Arne Vedin

PHILIPS

# Philips VCR. Six years ahead of any other home video cassette system.

The Philips N1700 Video cassette recorder is the latest development of Philips proven VCR system.

It offers longer playing time, improved picture quality and greater versatility than its best selling predecessor, and with all the reliability that comes from six years' experience in home VCR.

The N1700 works rather like an ordinary cassette recorder, but it records both sound and vision, so that you can tape entire programmes.

## 2½ HOUR CASSETTE

The Philips N1700 uses a 2½ hour video cassette no larger than the average paperback, and like an audio cassette, the video cassette recordings can be played back whenever you like and as often as you like.

There is a range of cassettes, from 1 hour up to the 2½ hour VC150, and they're all available at a new low price which cuts the cost of each recorded hour. Of course, all the cassettes can be erased and re-used too.

The Philips N1700 also gives you the best picture quality available from any domestic video cassette system.

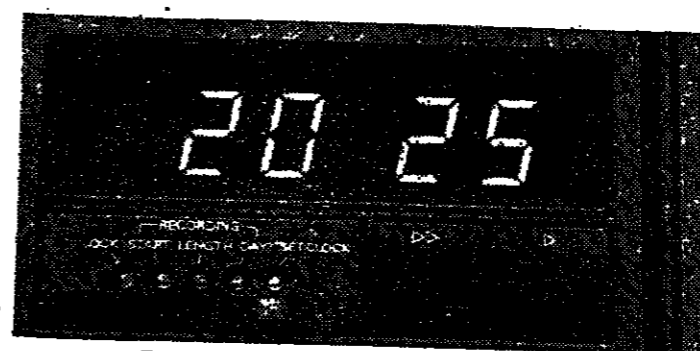
## RECORD ONE CHANNEL WHILE YOU WATCH ANOTHER

Because it can decode the three signals from the three TV channels independently of your television set, you can actually be watching one programme while the machine records another one for you to see later.

## RECORD PROGRAMMES WHILE YOU'RE AWAY.

As if all this wasn't enough, the N1700 will record programmes in your absence, while the television set is switched off.

Simply set the unique 3-day digital clock and you can go away, confident that the N1700 will switch itself on automatically, record a programme that you'd otherwise miss, and switch itself off again.



The Philips N1700 VCR system has a 3-day digital clock.

cassette. When you've seen it you'll have to believe it.

Upon your return, simply rewind the cassette and play back the programme.

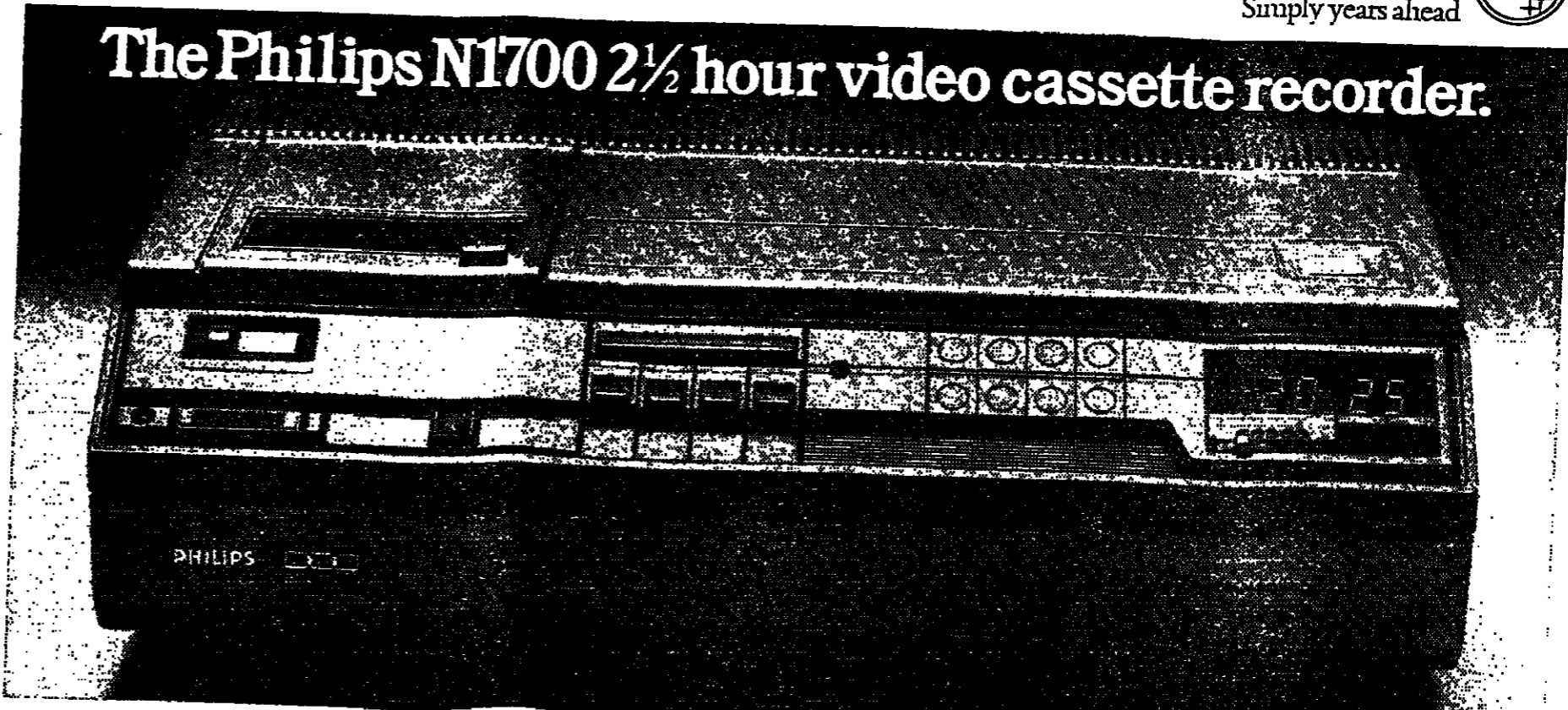
If you find all this a little hard to swallow, visit your nearest Philips VCR dealer.

He'll be happy to show you the N1700 and play you a special demonstration

Simply years ahead



## The Philips N1700 2½ hour video cassette recorder.



20

LOMBARD

# Money and the shadow play

BY ANTHONY HARRIS

ALL THE comment which has appeared since the publication of the money supply figures last week has been concerned to explain why the figures were so high; yet if you once start to think about the explanations, the puzzle changes its nature. What needs explaining is not why the figures were so high, but why they were not a great deal higher. If the explanations are true—and they are highly persuasive—they explain a great deal too much.

Take first the state of the gilt market. The counterpart of the famous Duke of York is the less-discussed shadow play aspect of the thing. If investors think the money supply is overshooting, they fear that the authorities will have to drive up interest rates and hold their own funds off the market—so that they then appear in the money supply. They are thus conjuring up the very shadows at which they subsequently take fright.

## Ideal period

The year up to April was an ideal period to study this phenomenon. It opened at the peak of a bull market in Government stock, with institutions committed up to the hilt, and snapping up every new paraded offering on the day of issue. Their liquidity must have been a prudent minimum. This April came after a sudden and nervous interval in the market, with little action in the tans. The build-up of institutional liquidity was well under way.

The exact sums involved are a matter of guesswork. Estimates of institutional liquidity at this moment range from about £1.5bn to over £2bn, with £2bn as a popular central figure, and nobody knows just what proportion of this sum is held in local authority and other short public sector securities, so that one cannot say whether the full in-tan sales added £1.5bn, £2bn or even more to M3. However, since the total overhang is explained in only about £2bn, this nonsense alone goes a long way to explain what happened. It is incidentally suggestive that brokers who quite rightly give bearish advice on gilt to their investment clients should watch their language when they comment on the monetary result of that advice being followed.

However, that is only the start. The banks also indulge in shadow-boxing. They feel that the overgrowth of the money supply may force the authorities to reimpose the control so that they can make sure that on make-

up day their own resources are at the highest plausible level—just as a lady of easy disposition might take a deep breath before being measured for her stays, in order to avoid later discomfort.

The extent of this deep-breathing is again a matter of guesswork, though the sign of it is clear enough—the flurry in the money markets ahead of each banking make-up as loans are drawn and redeposited for the night. The effort would hardly be worth organising for less than a percentage point on the book—and two percentage points would explain the whole business. We are already near the point of over-explanation.

We have not yet as much as glanced at the official explanation of the bulge—the foreign inflow in 1977, which has only begun to turn back into an outflow, however dramatic the recent figures may look. This is supposed to account for some 10 per cent of the whole growth of the money supply in the year up to April. To be sure, a part of this inflow represented the use of foreign rather than domestic sources for ordinary trading finance, and the proportion is a subject for yet more guesswork; if I say a half, it is only another guess. This would leave a fifth of the total growth—more than three of the 16 points at stake—explained by the abnormal rise in corporate sterling liquidity, signalled earlier in the rise in M1. Add these explanations together, and we are certainly over the top.

## Take fright

Even now, we have special factors to take into account: the rush in Government departments to use up unspent cash limits, which may account for £400m or so; the operations of the building societies, who are lending at a high rate; and the sterling counterpart of European low interest rates to finance the rise in British private real investment overseas. The whole story suggests that the underlying demand for credit to finance such things as the consumer boom remains rather surprisingly low—much perhaps as expected when companies have had an excellent cash flow.

None of this means that the build-up of liquidity does not matter—though probably the rise in institutional liquidity is of largely statistical interest. It does, however, suggest that apart from having a system which runs in an illogical way, the market is much too ready to take fright at its own shadow.

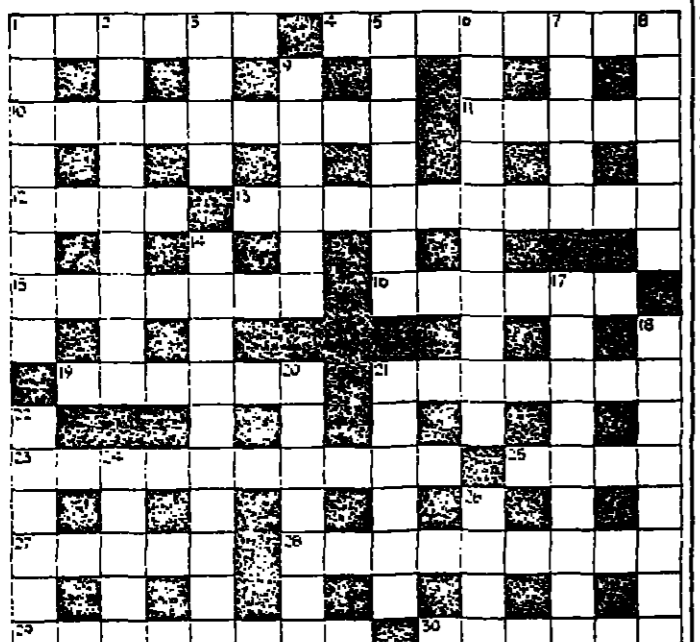
## TV Radio

† Indicates programme in black and white.

### BBC 1

6.40 a.m. Open University. 9.30 For Schools. Children. 12.45 p.m. News. 1.00 Puddle Mill. 1.45 Race. 2.00 You and Me. 2.30 For Schools. 3.00 Children. 3.25 Debrau Canu Debrau Canu. 3.30 Regional News for England (repeated London). 3.55 Play School. 4.10 Champion the

### FT CROSSWORD PUZZLE NO. 3674



- ACROSS**
- Choose French article to preserve (6)
  - Powerful member using physical force (8)
  - Deserve some ritual partially (9)
  - Contemtable person to notice (4)
  - Start of tide getting turbulent in Channel (6)
  - Maxim that could be spoken or written (6)
  - Cathedral in which one must leave minister (7)
  - Still meeting with no proposal (10)
  - Ship following north-easterly direction for headland (4)
  - Shy, putting it back to the centre (5)
  - Instrument changing into offence (9)
  - Opposed to argument against railway (5)
  - Hound for a ball (6)
- DOWN**
- Certain it could be a photograph (7)
  - Yes, positively (9)
  - Allowed Pole to enter fast (5)
  - Eastern politician in trial creates a storm (7)
  - Recall consciousness and visit us (4, 6)
  - Great Enigma Variations of Elgar (6)
  - Confirm soldiers fit to get up before end of day (6)
  - Putting silver in reserve could be cruel (6)
  - Not in sequence and in need of repair (3, 5, 5)
  - Punishment at college about female assemblage (9)
  - Existence of an imposing bearing (5)
  - Supply some French offal (7)
  - Charm mothers to bed (6)
  - Item brought up in Fleet Street district is sickening (6)
  - I'm not becoming an Athenian misanthrope (5)
  - Two notes for celebrity (4)
- Solution to Puzzle No. 3673**
1. CANTON 2. BUREAU 3. STAFF 4. GOLF 5. BUREAU 6. BUREAU 7. BUREAU 8. BUREAU 9. BUREAU 10. BUREAU 11. BUREAU 12. BUREAU 13. BUREAU 14. BUREAU 15. BUREAU 16. BUREAU 17. BUREAU 18. BUREAU 19. BUREAU 20. BUREAU 21. BUREAU 22. BUREAU 23. BUREAU 24. BUREAU 25. BUREAU 26. BUREAU 27. BUREAU 28. BUREAU 29. BUREAU 30. BUREAU

WHETHER CLARET is the most drinkable of fine wines may be a matter of personal taste and argument, but there can be little doubt that it is the most discussable. This is mostly so owing to the great variety of red wines produced in the Bordeaux region. Also, though are those who like to suggest that, say, 1975 is another 1945, or that 1976 will turn out like 1953, in fact two vintage are ever identical. Nevertheless when two successive years produce very fine claret, the discussion on their respective merits is likely to become animated.

## Speculation

Whether our forebears, perhaps now in "another place," have the opportunity to argue about the merits of the '64s as against the '65s (the missing digits are, of course, '18'), must remain a matter of speculation. Yet certainly such controversy did continue for many years about the 1890s as compared with the 1900s. Perhaps the 1890s had it, though the 1900s were much more plentiful, and I cannot imagine anything much better in its way than the 1900s. I drank at the chateau last autumn, as was later mentioned in this column. What is even more certain is that the arguments about the next celebrated pair—1928 and 1929—have never been con-

cluded. As with other pairs, such divergences of opinion may be due to a number of factors, but the main one is that a wine merchant or consumer may well be influenced by the direction in which he has laid out his money, and even if the wines have long been finished or are clearly past their best, the outlay remains as well as the judgment of the past. When the 1928s appeared on the scene there had been a gap since the 1924s. For while the 1928s were thought fine, if rather hard and backward, they were extremely expensive, partly owing to the high cost of the vintage, and they were little sought for the British market. So the 1928s received a good deal of publicity and were widely acquired. From the outset they were his wines, classed in style with a lot of "breed" but rather tannic.

They were immediately followed, however, by the '29s (full-bodied, immediately attractive because less tannic, and forward). It was said by some that they were too forward to last. Yet their cost as much as the '28s initially, although a year or so later were given away, so the world slump developed. So some merchants and their customers preferred to rely on 1929 while others plumped for the '28s. Among the merchants the distinguished firm of Berry Bros. had gone nap on the '28s, and the late Allan Stiebel, a shrewd judge of claret also, while the rising firm of

Avery of Bristol, had largely opted for the '29s. To-day, alas, many examples of both vintages are "over the top," though not all. In some cases the '28s have lasted better, for the most part they have remained rather tannic and what may be called "well-kept." But had they enough substance to live on? Today it is probably true that most of the '28s are showing their age, though not the finest, but though the best '29s are still quite big wines, others have given up the struggle with the

## WINE

BY EDMUND PENNING RUSSELL

tannin and have lost much of their fruit. A clear-cut decision either way is not possible, for while the '58 Medoc and Graves have given more pleasure than the '52s, the Pomerols and St. Emillions of the earlier vintage have had much more concentration than the rather light '53s. As the '60s are clearly superior to the '58s, and the '70s likely to exceed the '75s, this brings us to the '75s and the '76s. The former were received with near-religious fervour. After the

seemed fine. I bought quite a number myself. Then the '53s turned up, lighter, more flatter, and much easier to taste. Though they were lacking the stuffing of the previous year, they had more charm, elegance and what may be called "welcome." But had they enough substance to live on? Today it is probably true that most of the '53s are showing their age, though not the finest, but though the best '52s are still quite big wines, others have given up the struggle with the

tannin and have lost much of their fruit. A clear-cut decision either way is not possible, for while the '58 Medoc and Graves have given more pleasure than the '52s, the Pomerols and St. Emillions of the earlier vintage have had much more concentration than the rather light '53s. As the '60s are clearly superior to the '58s, and the '70s likely to exceed the '75s, this brings us to the '75s and the '76s. The former were received with near-religious fervour. After the

disastrous slump and poor-to-moderate '72, '73 and '74, if '75 had not turned out well, as Voltaire said of the Almighty, would have been necessary to invent it. Fortunately, after a splendid summer, the vintage turned out very well: a little short in size, but reasonably priced. A number of merchants here made early special offers, including Adams, Avery, Corney and Barrow and Laytons.

Then after a no less fine, very dry summer, but in a very unsettled vintage period, came the '76s: a crop scarcely smaller than the record '75. Those who picked before the vintage was in the vineyards will have made the best wines, thus introducing an element of variety less obvious than with the '75s. How much was the quality diluted by the rain, as in 1977? In some cases it certainly was, and many petits chateaux made light, quick-maturing wine. Yet some of the finer '76s that I tasted at the chateau when they were a year old were very attractive, with good colour, fine nose and a good deal of charm. Too much so for such young wines? Only time will tell. Perhaps, like the '75s now, they will "go into their shell."

Generally speaking, '75 is considered the finer year, and it would be difficult to state this as regards the St. Emillions and Pomerols, whose '76s seem to lack a little body. Yet even in Bordeaux there are those who

prefer the '76 Medoc and Graves. For they argue that the '75s are too tannic, and they make dark references to the '30s, and even to the '34s, much heralded wines that lost their fruit before their tannin, particularly in the Medoc.

## Choice

The answer for us consumers must surely be to represent both vintages in our "collection." The '75s, though now advanced in price owing to their popularity, are all to be found reasonably priced on the lists of merchants here who bought them early. The '76s generally opened at the same initial prices as the '75s, but have now risen somewhat in view of the unpromising '77s. Yet they are still not expensive, and once again wine merchants have made offers of wines that are, of course, still not bottled. My choice for the moment would largely be confined to the Medoc and Graves. It would appear at this moment that the '75s will come round more quickly than the '76s. But in the long run will they be as good? No one, not even the experts in Bordeaux really know. However, those of us who are interested with a wide range of early vintage will in due course at least be able to join the discussion, equipped with "inside knowledge."

# Balmerino has confident vote to win Clive Graham Stakes

CLIVE GRAHAM, that polished and much liked writer and commentator, is remembered at Goodwood today where the 11 miles Clive Graham Stakes "Arc" runner-up Balmerino back in action.

Balmerino, a luckless runner last autumn, who had Milan's Gran Premio del Jockey Club taken away from him in the stewards' room after he had gone close to lifting the Arc de

home straight at Longchamp, Balmerino finished better than any and it was only a short head that he failed to collar Italy's champion four-year-old Siro for third place.

But he is given a confident vote to preference to Malecite who has yet to recapture the form which saw him landing two good prizes at Maisons-Lafitte last July.

Pat Eddery, the rider of Malecite and the likely Derby pilot for Antler, now that Leonardo da Vinci has blotted his copybook, could have better luck earlier in the afternoon on the Irish challenger, Cap Ferrat in the Hainault Stakes.

This twice-raced juvenile, trained by Michael Kautz in Co. Meath for his wife, is expected to have top speed for Lester Pigott's mount, the top weight, Mr. Minstrel. Peter Walwyn has a progressive and fast improving Silly

GOODWOOD  
2.00—Rose Track\*  
2.30—Cap Ferrat  
3.00—Harvest Supper\*  
3.30—Balmerino\*  
4.00—Nation Wide  
4.30—Lotta Continua

Season colt in Harvest Supper, a lightly raced son of the Pretty Polly Stakes winner, Royal Panache, and I shall be surprised if this late developing boy who caught my eye at Newmarket last time out does not go extremely well in the Tangmere Handicap.

## Grants to fight drugs in sport

THE Sports Council will grant £25,000 a year for three years to Chelsea College for drug detection work under Professor Arnold Beckett.

One of the main aims of the grant, announced yesterday by Sir Robert Brooks, the Sports Council chairman, is to encourage British sports organisations to introduce tests on a much wider scale.

## RACING

BY DOMINIC WIGAN

Triumphs from an almost impossible position on the home turn, has made just one appearance this season.

At the end of last month the New Zealand bred six-year-old stable companion to the Derby favourite, Shirley Heights, put up a highly encouraging display when fourth behind Trillion, Monsieigneur and Sirdad in the £44,444 Prix Ganay.

Behind until making significant headway on the turn into the

home straight at Longchamp, Balmerino finished better than any and it was only a short head that he failed to collar Italy's champion four-year-old Siro for third place.

But he is given a confident vote to preference to Malecite who has yet to recapture the form which saw him landing two good prizes at Maisons-Lafitte last July.

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This twice-raced juvenile, trained by Michael Kautz in Co. Meath for his wife, is expected to have top speed for Lester Pigott's mount, the top weight, Mr. Minstrel. Peter Walwyn has a progressive and fast improving Silly

## HTV

1.20 p.m. Report West Headlines. 1.25 Report Wales Headlines. 2.00 Housewife's Choice. 2.30 Crossroads. 3.00 News. 3.30 Crossroads. 4.00 News. 4.30 Crossroads. 5.00 News. 5.30 Crossroads. 6.00 News. 6.30 Crossroads. 7.00 News. 7.30 Crossroads. 8.00 News. 8.30 Crossroads. 9.00 News. 9.30 Crossroads. 10.00 News. 10.30 Crossroads. 11.00 News. 11.30 Crossroads. 12.00 News. 12.30 Crossroads. 1.00 News. 1.30 Crossroads. 2.00 News. 2.30 Crossroads. 3.00 News. 3.30 Crossroads. 4.00 News. 4.30 Crossroads. 5.00 News. 5.30 Crossroads. 6.00 News. 6.30 Crossroads. 7.00 News. 7.30 Crossroads. 8.00 News. 8.30 Crossroads. 9.00 News. 9.30 Crossroads. 10.00 News. 10.30 Crossroads. 11.00 News. 11.30 Crossroads. 12.00 News. 12.30 Crossroads. 1.00 News. 1.30 Crossroads. 2.00 News. 2.30 Crossroads. 3.00 News. 3.30 Crossroads. 4.00 News. 4.30 Crossroads. 5.00 News. 5.30 Crossroads. 6.00 News. 6.30 Crossroads. 7.00 News. 7.30 Crossroads. 8.00 News. 8.30 Crossroads. 9.00 News. 9.30 Crossroads. 10.00 News. 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# Les Parents Terribles

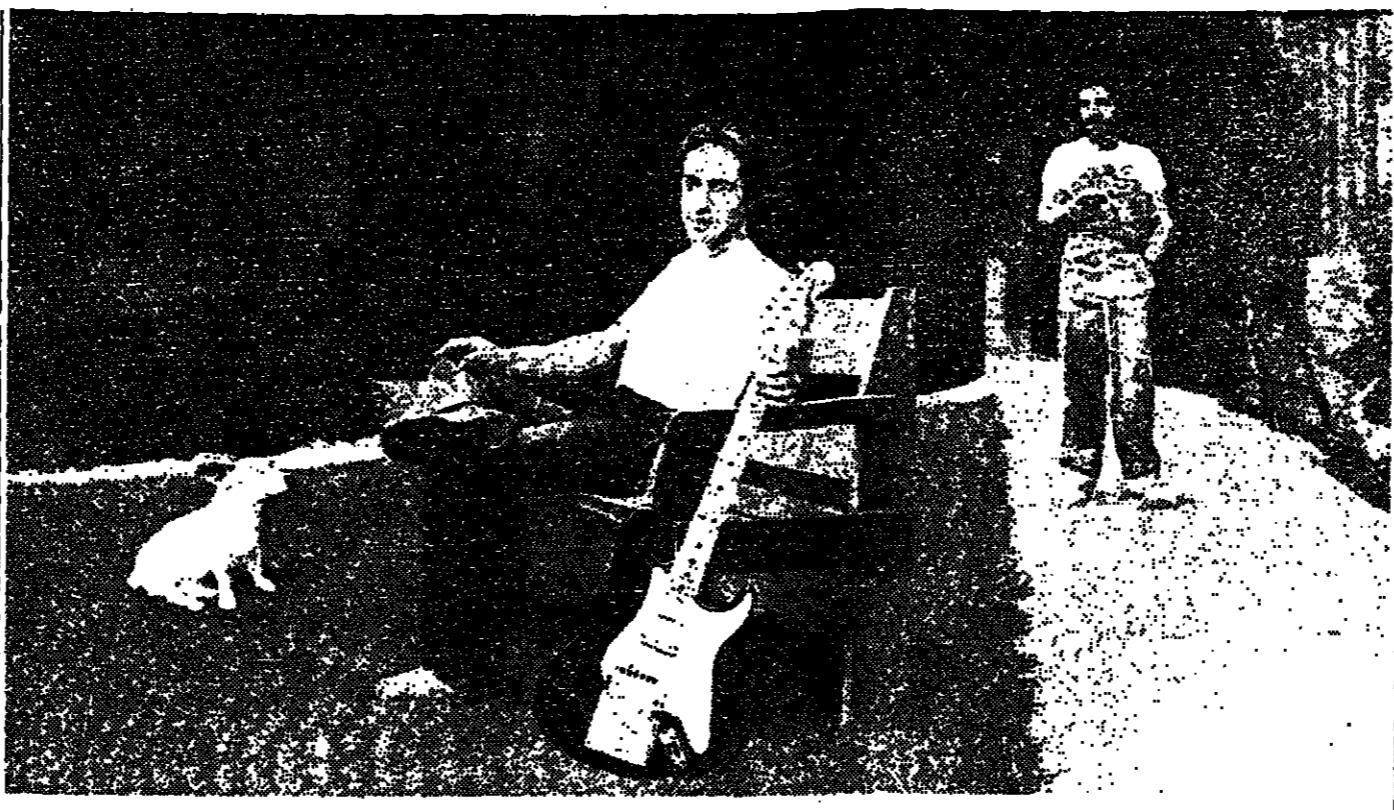
by B. A. YOUNG

One factor apart, the story like Omar, we hear only 'great' of Coteau's *Les Parents Terribles* (known in English by the punning title *Intimate Relations*) is material for a conventional boulevard drama. The family of young Michel are appalled when he spends a night away from home without telling them where he is. (He is 22, but very much a mother's boy.) Without much trouble, they learn that he was with a girl, and they react sensibly. Dressed in their best, they go to the girl to assess her character. (The helpful aunt is enchanted; the mother, a neurotic mother, is satisfied; but Georges, the respectable father, finds that his son is courting his own mistress, Madeleine.)

The missing factor is what caused the scandal when the play first appeared in 1938. I said that Michel was a mother's boy. Coteau has so emphasised this relationship that it could easily be, and indeed was, interpreted as incestuous. The triangle situation does not concern Madeleine, Michel and Georges so much as Madeleine, Michel and Yvonne.

Within these enlarged boundaries, the play is still basically a boulevard piece. The plot has the neat artificiality of an opera libretto, and the dialogue is never allowed to veer into any subject that is not strictly relevant. The boundaries actually go beyond a mere suspicion of incest, for the contest of mother and girl for Michel may be held to represent the competition of old claimants and young claimants for a young man, a matter probably as common in the world of Coteau as in the world of Lytton Strachey.

What keeps the play valid is the richness of the acting material. The dialogue is written with continued passion, and if sometimes we feel that



Three portraits from the Royal Academy Summer Exhibition. At the top, Crome, Godley, Grimo and Jack by Humphrey Ocean, and, below, Charlotte, Lady Bonham-Carter by Peter Greenham (which won the £1,000 Wollaton Award for the most distinguished picture on show), and Girl in Spain by Edward Wolfe

Burlington House, Piccadilly

## Royal Academy's Summer Show

by WILLIAM PACKER

No matter how varied and brilliant its programme of exhibitions might be throughout the rest of the year, and in recent times it has been notably active in that respect, the Royal Academy's Summer Exhibition remains the heart of its business—concern for living artists and their work, as ever, its raison d'être.

The Summer Show attracts attention to itself for many other reasons, reasons that have little to do with Art but are dear to the hearts of diarists and programme and feature editors, who would never dream of gracing an exhibition by their interest otherwise. Somewhere, in the quietest of the rooms and in the Private View that brings in what passes today for the Season, in the eccentric tradition and distinction of the Banquet, some minor controversy or human interest is sure to be found. But the days are over when the Academy could be relied upon to set its face squarely against the demons of Modernism let loose by the arch-fetters Picasso and Matisse, reassuring those who do not ever know what they like and thus provide good, easy copy.

The exhibitions have been changing in character, subtly but significantly, for well over a decade now, and, for these past several years in particular, have demanded an increasingly serious critical attention more so than for generations. That the Academy should ease its way back, however slowly, towards its old place in the centre of the art world is important to us all. No one so much as the work shown in a programme which includes works by Purcell, Vivaldi, Geminiani and Pepusch.

On June 6 The Consort of the Richard Hickox Singers and Musicians, directed by Anthony Rowley with the tenor Martyn Bach and Handel.

There will be two lunchtime concerts. On June 8 Andrew Watkinson (violin) and Gordon Laws, directed by Peter Back (piano) play Mozart and Holman with Richard Morton Schubert Sonatas and on June 8 (tenor) provide an evening of the music from the London play-house and concert rooms, 1660-1780 on June 7 and the second Benson and Hedges

in works by Dufay and Josquin. Counter tenors James Bowman and Rene Jacobs feature Blow, early music at Christ Church, Handel, Buononini and Purcell Spitalfields, from June 4 to June on June 9 and the festival ends on June 10 with Handel's *Saul* conducted by Richard Hickox.

The Academy of Ancient Music, directed by Christopher Solists will be Felicity Lott, Hogwood, appears on June 5 Margaret Marshall, Charles with the soprano Judith Nelson in a programme which includes works by Purcell, Vivaldi, Geminiani and Pepusch.

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Half Moon

## We Can't Pay?—We Won't Pay!

Left-wing farce is an unknown commodity in this country and it is refreshing to find the Half Moon temporarily breaking loose from recent po-faced agit-prop tradition and falling with gusto on the work of Dario Fo, the Italian comic and writer who runs a political collective in Milan. Fo-faced agit-prop, in this instance, features two married couples with mounting debts and a burgeoning commitment to direct illegal action as a method of combating rising prices and, since the country is Italy, any amount of Papal bull.

The religious iconoclasm of the piece is less effective in translation, but the theatrical imagery is clear enough. Two housewives, one active, one compliant, fend off the incursion of husbands and police by stuffing groceries up their jumpers and feigning pregnancy. The three progresses with irresistible logic, well-planned and grenades tossed off in the direction of the Church, the police, the mythology of childbirth and the Communist Party. Binding it all together is a firmly established domestic milieu which bills must be paid and, if need be, soup concocted from millet seed and dog food.

The translation is by Lino Perrile and that, in turn, has been adapted by Bill Colvill and director Robert Walker. Their approach is flexible, at once confirming the Milagres background and allowing for juicy references to "News At Ten," M15 and the VAT inspector. Every one's plight, even the weather, may be blamed on the Government. But the real culprit is

the Pope, with his intractable stance on the use of contraception. This is why the women blow up to anti-natal proportions to the bewilderment of their spouses, even if the women contain only a few pounds of mixed salad for the evening meal.

This kind of delightful surrealism typifies the writing and it is a quality fully realised in the exuberant playing of a top-class company. The female duo of Frances de la Tour and Patti Love play their scenes to the hilt. Miss de la Tour dominating proceedings with her exaggerated Cockney whine and inimitable talent as a limber comedienne.

"Has my wife been seeing the Pope?" asks the confused Luigi (Dennis Lawson) at one point, trying to reconcile a brief marital history with Miss Love's indolent condition. In the second half, Luigi and Giovanni (Christopher Malcolm) scuffle some flour bags back to base before waking up to the failure of the Party to assist in their grass roots struggle.

There are some magnificent set-pieces involving slammed doors and a multi-faceted figure of authority (Matthew Robertson) that demand commendable skills of execution. The company manage as best they can, but settle, sensibly, for a precise style of English farce playing that relies on speed of reaction rather than physical pyrotechnics. Especially memorable is the quiet exit of Crundage (Mr. Robertson again) from a scene of frantic recommitment momentarily frozen for a group expression of familial decorum.

MICHAEL COVENEY

Festival Hall

## Symphonica of London

The cream of the London sounds remained glowing, but orchestra and chamber groups the purpose behind them began to seem less assured. If Weinpersonnel of the Symphonica of London, which, before last strike the listener as a monolithic South Bank debut concert was exclusively an orchestra of the recording which is contained in its compact disc. Its first public appearance, under its musical director Wynn Morris, occasioned an unusually enjoyable concert, entirely to the relief of the orchestra.

The bill of fare was Mahler's Ninth Symphony—frequently served by conductors as a single course of an evening—preceded by the Overture to Wagner's *Rienzi* and the Weingartner string-orchestra arrangement of Beethoven's *Grosse Fuge*. It was a long concert, and one a conductor of an earlier era, a Bruno Walter, say, might well have chosen to give. In Mr. Morris's conducting, likewise, an unburied spaciousness and breadth of movement recalled earlier schools of orchestral direction; there was none of the bright, crack ensemble so often sought by today's conductors.

In the *Rienzi* Overture, always a spirited outing for a mettlesome band of players, the phrasing was gorgeously expansive and flowing, the sound deep-toned in its warmth, never blaring. Mr. Morris favours the separation of first and second violins to opposite sides of the platform. The gain in clarity of string textures, the sheer cast over the entire string section, is obvious—it is only because this correct orchestral seating is today seldom employed that its advantages need be pointed out.

In the *Grosse Fuge*, with its alternations of simple and compound time signatures, its cross-hatched and often aggressively contradictory part-writing, the

MAX LOPPERT

Elizabeth Hall

## Musica Reservata

by NICHOLAS KENYON

Commendably, Musica Reservata have never sought to make their concerts of early music superficially attractive by deploying vast numbers of medieval renaissance instruments on the concert stand, by "orchestrating" the accompaniment in their vocal numbers with multicoloured effects or flourishes of added percussion.

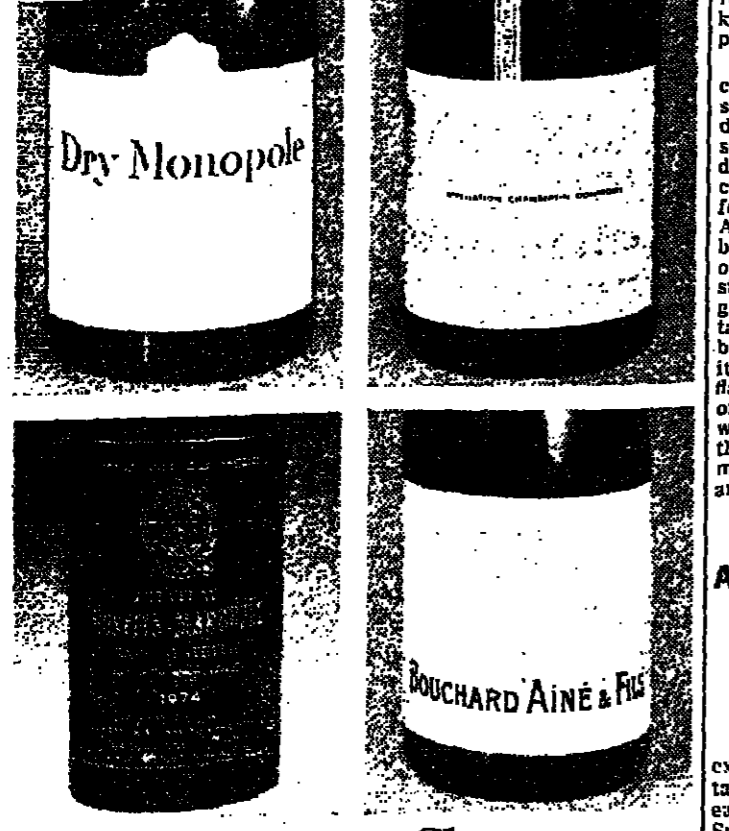
They took restraint of instrumentation to the opposite extreme last night, when they presented a programme contrasting the rilliantness of 15th-century Spain with the contemporary work of Josquin des Pres. Not so much as a solitary drum beat accompanied the familiar, bouncing strains of *Passe el agua* or *Rodrigo Morales*. Instead, only viols or rebecs with a soft wooden flute above them provided the background, in addition to a reliable heart instead on the distinctive vocal sounds of the consort.

Though Michael Morrow's approach to this vocal sound has not been significantly modified during the decade or more that his invaluable group has been performing, his personnel have changed. It was a pleasure to hear, in addition to the reliable characterised sounds of Jantina Noorman (and the less reliable voices of Edgar Fleet) two young singers whose approach to the strong, straight, forward-projected Reservata noise is less didactic and less inflexible than that of the founder-members, the late Margaret Philpott put

across the light rhythmic subtleties of the Spanish *Tres morillas* without a hint of heaviness; and the boss Richard Wistreich joined her in one of Josquin's sublime monophonic chansons, *Pour luy regretz*, with a serious, rich voice that was always absolutely plum in the centre of the note—a rarity indeed in this range.

The ascetic nature of Mr. Morrow's programming demanded a high degree of concentration from the audience—somewhat untidily so, I felt, in the Spanish half of the concert, where the rumbustious postprandial atmosphere in the Jollier numbers was ill served by the barren wasteland of a half-empty Elizabethan stage. But Josquin's *Mein amant le depart* at the start of the second half immediately raised the music-making on to a new level: the basic folk despair of the slower *Chanson* was transformed into a heart-searching of Josquin, "incessantly delivered to grief," as one chanson put it. It was regrettable that rehearsal time seemed to have run out as the last and greatest items in the concert approached: both Josquin's *Mein amant le depart* and *Chanson* were underplayed. Elsewhere, though, conductor John Byrt shaped Josquin's impeccable vocal lines with sensitivity. The instrumental group were allowed to shine in a few vocal rhapsodies, played with crispness but not much spirit—somewhat too reserved for Reservata.

## What do wine drinkers look for?



Shippers they can trust.

How can a label help you choose a good wine? It can tell you what type of wine, but not whether it's from the right source. The producer, but not how it's bottled and blended. Whether it is appellation or not and what vintage.

The right shipper's name alone is your guarantee. Bouchard Aîné assure you of a high standard. Our name has maintained its reputation of expertly selecting, accepting only the best and carefully shipping.

When you see Bouchard Aîné on the label, you know you're getting a very good wine, reasonably priced. From a shipper you can trust.

**Bouchard Aîné**

Arts News

## Early music at Spitalfields

Many of Britain's leading in works by Dufay and Josquin. Counter tenors James Bowman and Rene Jacobs feature Blow, early music at Christ Church, Handel, Buononini and Purcell Spitalfields, from June 4 to June on June 9 and the festival ends on June 10 with Handel's *Saul* conducted by Richard Hickox.

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The two composers whose chamber music is featured this year are Mozart and Rakhmaninov. Artists taking part include Jean-Philippe Collard, Clifford Curzon, Annie Fischer, Victoria Postnikova, Craig Shephard and Tamas Vassary (pianists); Richard Stoltzman (clarinet); George Pauk (violin); Cecil Aronowitz (viola); Julian Lloyd-Walker (cello) as well as the Amadeus Quartet, the Alban Berg Quartet and Janet Baker.

The four finalists of the Benson and Hedges Gold Award for Concert Singers will compete for the Award (first prize, £2,500) at a public concert during the festival, after preliminary auditions in London and two further eliminatory stages at Snape. A season ticket, for eight concerts, plus the Gold Award Preliminary and Final, will be available following events.

The second Benson and Hedges

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Position \_\_\_\_\_

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Address \_\_\_\_\_

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# No break for Mr. Sadat

### Changeover

This amounts to saying that as if Israel is hardening its position on the West Bank.

# Competition in savings

## Certificates

The Zaire Government is bolstered by French troops and that in Angola by many thousands of Cuban troops and Russian advisers. The Ethiopian Government probably would not have defeated the Somalis in the Ogaden but for Russia and Cuba which now, at the least, provide logistic backing against the Eritrean separatists. In Chad and in the Sahara, French troops are involved against rebel movements. The Soviet bloc is providing military aid for Namibian and Rhodesian guerrillas.

# Africa: a cockpit for outside powers

**BY BRIDGET BLOOM, Africa Correspondent**

**Why is Africa weak?** There are innumerable reasons, some of them, like the effects of world recession or often nonsensical colonial boundaries, not of Africa's making. A clutch of former French colonies have neither the economic resources nor manpower for real independence: some Governments, like Chad, are there because the French keep them there. Others, perhaps because they have been

Though no direct Soviet involvement is proved in Shaba, western concern over Soviet intentions heightened following the Russian "victory" in the battle to fill the vacuum left by the departing Portuguese in

# Hard choices for Carter

**By DAVID BELL, in Washington**

whole approach to the Soviet Union. The Administration has resisted any attempt to link Soviet activities in, say, Rhodesia with the Strategic Arms Limitation Talks. But Congress is making the connection. Even the liberal Senator Dick Clark, the Senate's leading liberal, is favouring the "Russians" have to be made to understand that they are not going to get a SALT agreement

The President's remarks reflect an intense debate that is going on in the administration about how to react in the present situation. The debate is being conducted with great urgency and the political centre of gravity may now be beginning to swing towards a conventional "activist" approach by the President. The group favouring this line is usually identified with Dr.

co-operation in trade, cultural, and technical fields. The group that opposes this view has had the upper hand ever since the Carter Administration took office. It rejects the great power approach, arguing that Africa is too complex to be approached in this way.

This group, which includes Mr. Cyrus Vance, the Secretary of State, Mr. Andrew Young, Ambassador to the UN, and Dr.

them realise. We should leave them to have their Vietnam," one senior official said.

Some State Department experts say that Russian policy in Africa has already had its share of failures. In return for deep involvement in the politics of unstable Ethiopia, Russia has "lost" both Somalia and Sudan. Only a year ago Cuba was supporting the Eritrean Liberation front which is now

to achieve majority rule without foreign intervention. They are not strong enough, either, to persuade the West radically and rapidly to change its policies, obviating the reason for Soviet intervention; and they will not be strong enough ultimately to say "no" to the Russians.

The U.S. might have supplied Somalia with weapons for its battle against Ethiopia. But Somalia was clearly the aggressor and, only months before, had been one of the most virulent critics of the U.S. on the African continent. In the 1970s, Somalia was the only African country to support the UN's ban on the FNLA forces, are demonstrably better equipped than the MPLA to run the country.

Even in southern Africa the President's chosen course requires great sophistication. A steady head and the ability to explain policy so that it is credible. Mr. Carter is both sophisticated and cool, but he is not notably good at expounding policy, nor at relating U.S. activities to one part of the world or the other. That is the challenge facing him at a time when his own standing in the polls is not good.

# MEN AND MATTERS

## Boost for health food

Lord Mountbatten of Burma is one of the few persons who associate with nut rissoles and ginseng tea. But today he will arrive at noon at the Royal Lancaster Hotel in London in a white Rolls-Royce to open a Health Food exhibition. The explanation is his admiration for the tireless advocate of vegetarianism, Barbara Cartland. She has persuaded him to make a speech to the assembled vegetarians and distributors of health foods. Mountbatten is renowned as a witty speaker—and, indeed, he is. He has said, "I sincerely hope that he will spare the company an account of one of his favourite recreations, underwater fishing."

## Digging deep

If you have a remarkably long memory, a company named Burnholme and Forder may ring a distant bell; so may Land and General Developments. Between them, they hold a record of sorts—although both have long since dissipated their shareholders. They are the two remaining companies for which inspectors were appointed in 1974 under the Companies Act, but over which silence still reigns. Admittedly, the appointments were made in December of that year, but it is fortunate that the inspectors chosen were relatively hale and youthful. "Yesterday, I asked the Department of Trade whether 3½ years did not seem an unreasonable time to uncover the truth about what had gone wrong in a company. "Any length of time the inspectors care to take is reasonable," I was blandly told. "The pace is consistent with the complexity..."

However, it is encouraging to learn that while eight investigations are still hanging over from

## Drink pink

Smart thinking by the Iranian Farnia Djavadi when he opened a new restaurant this weekend. Instead of starting with the usual demi-monde, he reserved the first night for all the head doormen of the most expensive hotels in London and their wives.

Les Années Folles had no belly dancers or, more typical of Iran these days, anti-Shah demonstrators. Djavadi already is involved in four restaurants in Iran and wanted this one to be French. Its gimmick is pink—pink champagne, pink 1930s art decor, and invitations saying "Dress, think pink."

Djavadi is now planning a

## Art whirl

Christie's are about to expand their network of representatives in the Middle East, one of the directors has just told our Amman correspondent. The director, Tom Craig, who has been in charge of promoting the company's business in the Middle East for the past four years, says that he is "seeking out qualified local people who can act as representatives for Christie's throughout the main Middle East states." He adds that "before long we hope to have the active involvement of at least one distinguished Arab as a permanent consultant to Christie's."

## Trusting union

It is good to see that the Transport and General Workers Union have learnt to be good losers. Three times in 1976 and 1977 Trust Houses Forte blocked their attempts to obtain recognition for unions in hotels belonging to the group.

## Mail eunuch

With its eight miles of corridors the U.S. Department of Commerce so demoralizes messengers that even in periods of high unemployment mailroom jobs go a-begging. But the Department's flurried administrators have now come up with a



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my friends, my whole way of life"

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There is the Distressed Gentlefolk's Aid Association. The DGAA is run by people who *understand*. They know that we want to stay in our own homes, surrounded by our possessions, and close to the friends of a lifetime. So, they help us with allowances and with clothing parcels. Only when we can no longer cope do the DGAA see if they can offer us a place in one of their 13 Residential and Nursing Homes.

The more you can help the DGAA, the more the DGAA can do to help others. Donations are needed urgently. And please, do remember the DGAA when making out your Will.

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# The politicians re-discover the family

PARENTS CAN reasonably expect to do better out of the next few Budgets than single persons or childless couples, for our politicians are rediscovering the family. Mr. Healey's recent Budget, which promised to increase in Child Benefit over the present fiscal year, set the tone. It would not be surprising if there were more to come.

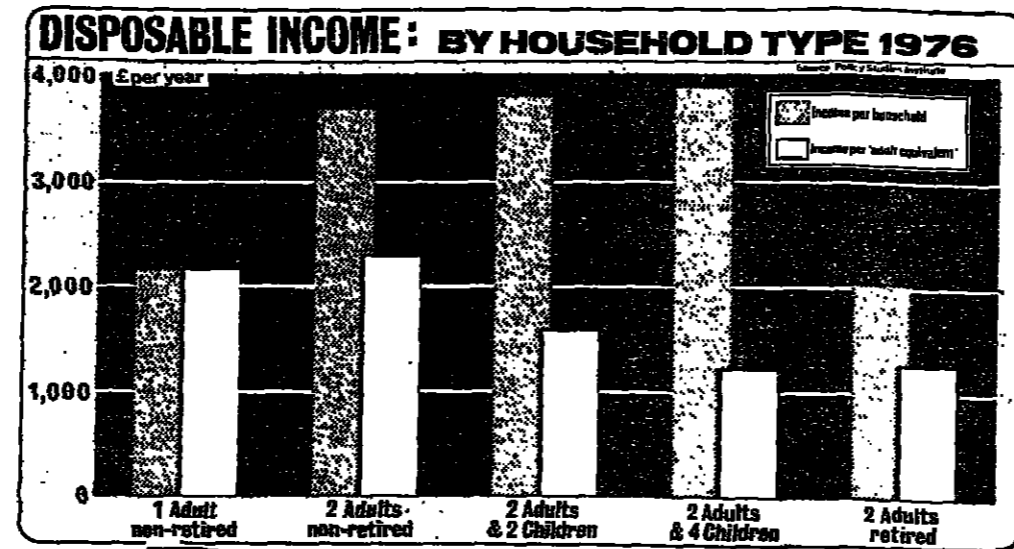
There is a hard political reason for this. Before the Government's recent recovery, when Labour was doing badly and seemed certain to lose an early election, detailed analyses of the opinion polls were especially instructive. This scrutiny of the statistical entrails showed that the Labour Party had lost a disproportionate number of voters classified as "women, aged 25 to 39, in CDE social class groups" — or, simply, young working class mothers with small children.

Of course it would be foolish to draw general conclusions from a single political fact of this kind, but it is nevertheless worth noting that the improvement of the Government's position in the polls has coincided with a new emphasis on "family policy," starting with the "Family Budget" of a few weeks ago.

The Prime Minister, who knows about winning votes, has begun to give attention to the family in his speeches. Addressing the National Conference of Labour Women in Southampton just over a week ago he threw in everything he could think of as a Government action "for the family" and rained his message home with: "I don't believe that the Government has done enough — hardly started to consider as a whole the impact of its policies on the family."

## Tax bias

Anyone who regards these exchanges as mere election-year platitudes should consider the underlying trends. Since 1969 the proportion of income paid in tax can be shown to have risen much faster for households with children than for those without, if one includes cash and social security benefits and employees' national insurance contributions in the computations. During the period 1969 to 1975 the sector which suffered the greatest rise was "households with two adults and two children" — the archetypal family. The average



proportion of income, adjusted for cash benefits and contributions, paid in direct tax by these two-child families rose from 9 per cent. to 20 per cent.

New work on the relevant statistics has just been completed by Muriel Nissel, a former editor of the Government Statistical Service's *Social Trends*, and now a senior fellow at the new Policy Studies Institute, formed from the recent Centre for Studies in Social Policy. This study, published as Working Paper No. 1, shows how remarkably biased against the family our system of taxation and benefits has become.

Muriel Nissel starts with the newly-fashionable and admittedly imperfect method of using "adult equivalents" to measure the different standards of living of different families or households. As she puts it, "a married couple with two children relying on two earners to bring in a net income of £4,000 does not have the same standard of living as the same family with the same income and only one earner." One might add that children cost more at one stage of their lives than another. A young childless couple may have a different expenditure pattern from a retired couple.

The chart shows one result of an attempt in her PSI paper to allow for both the family cycle and the notion of "adult equivalents" — the latter by using as a broad guide the current Supplementary Benefit differentials (one adult = 1; two adults = 1.6; two adults plus two children = 2.4 and so on). "These calculations are admittedly very rough and ready but they are sufficient to bring home the point that the income available to individuals in households varies considerably at different stages of the

benefits are of much greater importance than income from other sources, while for those with children such benefits, including housing and food subsidies, have been "substantially outweighed by taxes." It is only when, in a third chart, the benefits in kind, of education and health are thrown in that the family is shown to be ahead, in proportion to the number of children.

## Public opinion

"It is clear from these charts relating to 1976 and from analysis of the trends going back to the 1960s that family policy as implied in Government legislation has not favoured families with children," comments Muriel Nissel. "Why has this come about? One of the influences has probably been the fear of overpopulation. Public opinion lags behind the facts and the implications of the fall in the birth-rate in the UK since the mid-1960s have only recently been appreciated."

Like the Prime Minister, she notes the large increase in the number of women working outside the home as another factor contributing to "the pressures against the family." More than a quarter of women with a child aged under five and at least half of those with the youngest child at primary school are now employed, as can be deduced from calculations by Peter Moss of the Thomas Coram Research Unit. The tax system encourages them to do this, particularly when the husband's income exceeds the standard rate. It is as if a positively anti-family policy had been consciously devised. It is too soon to calculate the effect of the recent Budget on all this. Mr. Healey has increased Child Benefit, which is not taxed, from £1 for the first child and £1.50 for the rest to £2.30 to £3 for each child. A further increase, to £3, is due in November and another, to £4 a child, next April. Even if the concurrent phasing-out of child tax allowance is taken into account, the net effect of this exercise is a substantial switching of funds towards mothers' purses. But the overall effect, for different households and "adult equivalents" at different points on the income scale, has yet to be seen. What does seem likely is that the recent Budget alone will not suffice to reverse the long-term trend. There has been a small upsurge in the number of births this year, but we are still below "replacement level" and it remains to be established whether any return of popular confidence in the economy will be accompanied by a rise in the birth-rate, as it has been in the past.

In the short run, and particularly during an election year, there is no difficulty in working out the obvious policy for both Government and Opposition. Both sides will express concern for the family: both will indicate their intention of lowering taxes — or raising benefits — and both will no doubt collate their various health, education and housing policies into neat brochures entitled "Our programme for the family," or some such.

In the real world, however, none of this is enough. A transfer of resources to families with children means a transfer away from others. Single people and childless couples also have votes. Again,

By Joe Rogaly

\* Taxes and benefits: Does redistribution help the family? By Muriel Nissel of the Policy Studies Institute, available from 25, Doughty Street, London, WC1N 2LS. The Family and Unemployment by Peter Moss, Thomas Coram Research Unit, June 1977.

## Letters to the Editor

### The housing debate

From the Director, Shelter.

Sir, — Anthony Harris is absolutely right to call for the publication of the result of the Review of the Rent Acts (May 18).

I cannot, however, agree with his unquestioning acceptance of the current orthodoxy on the effects of the 1974 Rent Act and the need for decontrol. When security of tenure was extended to furnished tenants in 1974, the percentage of homeless families coming from the private rented sector fell from 28 per cent. of the total to 18 per cent. in the space of one year. When security of tenure was relaxed in 1977, the percentage of homeless families made homeless by landlord action rose from 4 per cent. in 1977 to 22 per cent. in 1978.

It is often argued that the 1974 Rent Act has dried up the supply of private rented accommodation. But the best available official statistics show no increase in the rate of decline of the private rented sector following the 1974 Act. Significantly, the only period in which there has been a major acceleration in the decline of the sector has been immediately after the partial decontrol of 1977.

Mr. Harris also appears to be arguing in favour of decontrol. Yet as Camden's Director of Housing pointed out recently, 40 per cent of Camden's families have a net weekly income which is less than the market rent of the most modest flat available in Camden.

Shelter hopes that the Review of the Rent Acts will lead to a major simplification of the present law. This does not mean that we should unthinkingly accept policies of decontrol which past experience shows will lead to a drying up of the private rented sector and a dramatic increase in homelessness.

And Melchior, Shelter, Waterloo Road, SE1.

### Technology and plastics

From Mr. J. Dingle.

Sir, — Nothing that the plastics industry is international, yet support (May 18) recommending that older, less efficient plants should be shut down, and that the market for the plastics industry's structural problems are to be solved.

The time must be imminent. It has not already arrived, then the operating level of production technology transferred to "developing" countries (including the Comcon bloc whose sales under "buyback" agreements apparently contribute to the plastics industry's malaise) will be more advanced than the typical level of technology operated by West European producers. It would then not be unreasonable to suppose in a technology-based industry like plastics, the latter would be relatively the less efficient producers. Who then should get out of the market?

John Dingle, Suite 1, Harcourt House, 80, Litchfield Square, W1.

### House buying in Scotland

From the Secretary, The Law Society of Scotland.

Sir, — I am indeed grateful to Mr. S. P. Best for carrying the law for Scotland in regard to solicitors' property centres in his May 18th. It has always

solicitors to sell property and it has only been within the last 20 years that any serious inroads into this particular aspect of business have been made by estate agents. The public in Scotland still, I think, accept that solicitors are normally the people who sell property but estate agents are now operating here quite extensively and their methods have shown them to be acceptable to the public.

Scottish solicitors felt therefore that a new and different method of selling and disposing of property was needed. It was to be considered a new and different method of selling and disposing of property (local law societies) established solicitors' property centres. These centres have particularities of all the properties which solicitor members in the area are selling at the time. A schedule of particulars is completed by the selling solicitor and put into the appropriate register in the centre. A prospective purchaser can get a copy of this schedule from the centre and make immediate arrangements to view the house. The property centre does not, as such, sell the property. This is done by the vendor's solicitor.

Mr. Best very properly points out that the sale of houses in Scotland is effected by way of a binding contract more quickly than in England. It is for this reason that, at a very early stage, a prospective purchaser consults a solicitor who will make on his behalf all the preliminary enquiries and the necessary arrangements for finance and so on as soon as possible.

As Mr. Best says, the property centres have been seen to be successful and to be appreciated by the public by reason of the fact that some £55m worth of domestic property was sold through them during 1977.

I must, however, correct the impression given by Mr. Best that this service is carried out for the sum of £10 and that is the total fee. Property centres require to meet their overheads and do so in two ways. Certain centres charge their members a flat rate regardless of the number of houses they place on the centre's registers in any one year. Others, and I think this is the method to which Mr. Best is referring, make a charge in respect of each property entered in the registers.

Charge which varies from centre to centre, is in the region of 25 to £10.

I have already said, however, that the solicitor is responsible for the sale and is entitled to charge his client a commission for his services. The maximum commission rate in Scotland is 1 per cent but normally this is reduced to 1 per cent or less. The property centre charge is really similar to the cost of a newspaper advertisement and is recovered from the client as an outlay on his behalf.

K. W. Pritchard, PO Box 75, 22 Drumshough Gardens, Edinburgh.

### USAF regulation and Greenham

From Mr. P. Jones.

Sir, — The reason that many of us in Newbury are opposed to the reactivation of Greenham Common Airbase is very simple. We believe that a large unconsulted population is a totally unsuitable location, even on a temporary basis, for military airbase. Explanations of its possible strategic importance would not persuade us to drop our opposition. I have yet to hear that voiced in this town.

This U.S. Air Force is aware of this development then its choice of Greenham Common is very difficult to understand. There is ample evidence to show that the USAF considers that urban development close to a base seriously impairs its operational capability because of pressure from the public.

This evidence is to be found in the policy adopted by the USAF in 1972 and designed to protect the operational capability of its U.S. bases from urban encroachment. The ideas behind this policy are set out in the Real Property Management Regulation (AFR-57-14) with the title "Air Installation Compatible Use Zone. Protection of Air Bases Against Urban Encroachment." Briefly the hazard and noise zones around an airbase are identified and this information is provided to local authorities who use it to control development. No such control has been exercised at Greenham Common because neither the USAF nor the Ministry of Defence has provided the necessary information.

To be charitable, one can only assume that the USAF did not know the extent of urban development at Greenham Common. But now it does, and it really believes in the principle embodied in its regulation. It should withdraw its application to reactivate Greenham Common and look elsewhere.

Philip J. Jones, Armorer, Byron Close, Newbury, Berks.

### Accounting and inflation

From Professor D. Myddelton.

Sir, — In his letter of May 19 Mr. S. W. Farmer implicitly accepts my "reckless" assertion that current cost accounting has nothing to do with inflation. So if we want to report inflation's effects on business performance we cannot rely on the self-styled "inflation Accounting Committee," which said: "In our opinion CCA is a fully comprehensive method of accounting for inflation." (Nor can we follow Mr. Morphet's Steering Group, which was told to base its proposals for ED 18 on Sandilands' CCA.)

Of course, firms may need to consider how to finance future activities, including possible "replacement" of some assets. But in an accrual accounting system "profit" is not the same thing as "cash"; nor is accounting for the past the same thing as providing for the future.

No doubt there are arguments in favour of CCA. So there are in favour of using specially thin paper in annual reports, or clearing the head office windows once a month. But none of them has anything to do with inflation accounting. Since the pound has lost about two-thirds of its internal purchasing power in the last ten years, it seems clear that we do need some way of accounting for inflation.

Having misunderstood the constant purchasing power philosophy, Mr. Farmer not surprisingly finds his own version of it "ridiculous." I agree that calculating a suitable "general index" of prices is not easy in practice; but, as Mr. M. P. Speer advised recently, accountants may need to develop a greater tolerance for impracticability. A general index of UK prices showing 1968=100; 1978=300 seems more appropriate in accounting for inflation than the implied Sandilands/CCA general index showing 1968=100; 1978=100.

Let me finally try to answer Mr. Farmer's questions about CPP gains on monetary liabilities. Money interest rates are likely to be higher with inflation than without it (though anticipations may be wrong). CPP credits, arising from the account with "monetary gains" arising from a fall in the "real" (constant purchasing power) value of monetary liabilities in the period in which the change in purchasing power occurs. The net CPP expense in respect of borrowing (money interest less monetary gains) correctly reports the "real" cost of borrowing. The separate question whether a firm makes a "real" profit or loss on its investment of funds borrowed is, of course, also important.

There is no need to wait for the money liability to be repaid. Thus CPP would reckon the British government's 1977 "monetary gain" from debasing the currency, in respect of a nominal £3,000 of irredeemable securities, at about £400m. (in December 1977 pounds).

If during an inflation the money prices of a particular firm's output do not change, then in "real" terms those prices are falling. This phenomenon, now familiar to every wage-earner is properly revealed by CPP; but not by CCA, which does not provide meaningful comparisons over time.

D. R. Myddelton, Cranfield School of Management, Cranfield, Bedford.

### Fleet Street's troubles

From the Director, Aims for Freedom and Enterprise.

Sir, — The title of Max Wilkinson's excellent article on Fleet Street (May 18) quite appropriately uses the phrase "The bizarre troubles of Fleet Street." The trouble is that there is even more bizarreness in Fleet Street than meets the acute eye of Mr. Wilkinson. One very serious result is the ultimate disappearance of the newspaper, political, investment in newspapers. Bizarre events not recorded by Mr. Wilkinson include the ghost shift, the growing habit of deliberate mistakes for daring to appear in advertisements for D. G. Thomson, the non-union newspaper publishers. That, in my personal experience, has alarmed a number of newspaper people — which was no doubt its design.

In a bizarre situation of the incredibly poor reporting by Fleet Street of its own facts. This even led to the non-publication of a Hansard recording a House of Lords debate on Press freedom for something like 10 days, without a mention of this appearing in the Press.

Britain is probably unique with Japan in having mass circulation papers. There would be no great problem if British national newspapers went bust and we saw a growth of provincial papers on decentralised European and American lines.

The big danger is that in the next few years we will have some bankrupt national papers and a government rushing in, at the behest of the unions, to make a new Bill for the National Enterprise Board and that has some political repercussions that will be very unpleasant indeed. For the Government that pays the piper will be tempted to call the tune.

Michael Ivens, 5, Plough Place.

## GENERAL

Provisional unemployment figures for May.

Publication of Government White Paper on industrial democracy.

The Queen continues State visit to West Germany.

United Nations special disarmament conference opens in New York (until June 28).

Finance Ministers of Organisation of Oil Exporting Countries (OPEC) meet in Vienna.

First of six monthly gold sales by U.S. (each of 500,000 ounces) in effort to re-establish stability of the dollar in foreign exchange markets.

Monthly gold auctions by International Monetary Fund expected to continue as scheduled.

Three-day meeting opens in London of British Soviet Joint

Commission for Co-operation in Applied Science, Technology, Trade and Economic Relations.

Mr. Peter Shore, Environment Secretary, speaks at Foreign Press Association, June 11, Carlton House Terrace, SW1.

Mrs. Shirley Williams, Education Secretary, addresses Hamilton by-election meeting.

Conservative Women's conference opens, Central Hall, Westminster (until May 24).

Exporting seminar, organised by Westminster Chamber of Commerce and Barclays Bank International, Cafe Royal, W1.

Royal Society for the Prevention of Accidents conference and

Joint Committee on Statutory

exhibition opens, Harrogate Exhibition Centre (until May 25).

Audio Visual Exhibition opens, Wembley Conference Centre (until May 29).

PARLIAMENTARY BUSINESS

House of Commons: Remaining stages of Home Purchase Assistance and Housing Corporation Guarantee Bill. Motion on European Communities (Definition of Treaties) (No. 4) Order.

House of Lords: Wales Bill, second reading.

Select Committees: Nationalised Industries (sub-committee A). Subject: Innovations in rural bus services. Witnesses: Association of County Councils (4 p.m., Room 81, Joint Committee on Statutory

Instruments (4.15 p.m., Room 4). OFFICIAL STATISTICS

New vehicle registrations (April).

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## Today's Events

Commission for Co-operation in Applied Science, Technology, Trade and Economic Relations.

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Financial Times Tuesday May 23 1978

## Low demand continuing to affect Laporte

FOLLOWING THE sharp downturn in the second half of 1977, Mr. Richard Ringwald, chairman of Laporte Industries (Holdings) tells members that at present there are few signs of material improvement in the first half of the current year.

The outlook for 1978 as a whole will depend mainly on the world economic situation and trading conditions. Mr. Ringwald reports that so far this year all the signs are pointing to continuing stagnation of demand which was particularly flat in Europe and Japan at the end of last year.

The outlook in the U.S., where output remained at a reasonable level throughout most of 1977, is now also uncertain, he says. In the year ended January 1, 1978, two significant factors more than account for the reduction in profit from £15.2m to £10.2m. These were intensified competition in the titanium dioxide market leading to reducing prices, and the strengthening of sterling.

There are now signs of hardening titanium dioxide prices and sterling has eased against the dollar.

These trends, if maintained, should exert a beneficial influence on the 1978 results. The chairman explains that the worstening market conditions for the sale of titanium dioxide on world markets proved to be more severe than indicated at the interim stage. International makers of titanium dioxide pigment trying to maintain tonnage in a stagnant, or in some areas reducing, market created an environment of falling prices. Export prices dropped sharply and this was coupled with weak demand for the product.

In general all other product customers meant lower margins, says Lord Chelwood. Overcapacity, combined with the continuing recession at home and abroad, accentuated the problems of the uniform clothing industry. There was strong continuing emphasis on improving quality and designs of uniforms, and the group spent close on £350,000 on new machinery and techniques.

The directors consider that the costs of replacement of plant and machinery in an inflationary era would be the most significant factor affecting the group when considering the assessment of profits on the historic cost basis. Consequently the plant, machinery and buildings have been revalued in terms of current costs and their future life. After allowing for depreciation at realistic rates the net value of group's fixed assets has been assessed at £4.4m which represents an increase of £1.8m over the balance sheet figure. The depreciation charge under the current cost convention for 1977 is assessed at £480,000, an increase of £210,000 as compared with the £270,000 shown in the accounts.

Meeting Quaglinos, SW, on June 13 at noon.

### BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interim or final and the subdivisions shown below are based mainly on last year's timetable.

TODAY	
Interim—Thomas Borthwick, K. Shoen, Murdoch, Pictorial (Scarborough), Welfarm National Glass, Scottish National Trust.	
Finals—Advance Landcare, Ambrose Investment Trust, British and American Film, Fine Art Developments, Bunting Specialist Industries, Leisure Caravan Parks, Transpacific Paper, Waco Group.	
FUTURE DATES	
Interim—Allied London Properties	May 24
Marley	May 25
North British Steel	May 26
Plesurama	June 1
Finals—Capital and Counties Property	May 26
Craig and Rose	June 1
Crowther (John)	May 26
Dormakaba (Edinburgh)	May 26
Dykes (U.K.)	May 26
Manchester and London Inv. Trst.	May 26
Polter-Futterer	June 12
Racial Electronics	June 22
Tanganyika Holdings	June 28
Unilever	May 26
Westwood Investment Trust	June 5

† Amended.

The group has embarked on a heavy investment programme which will continue during 1978 and this is supported by significant expenditure on research and development. The amount of ex-

penditure approved and outstanding at January 1, 1978, amounted to £4.71m.

Group sales in 1977 showed an increase from £86.9m to £102.4m. UK sales increased by 18 per cent to £54.3m while export sales went up by 23 per cent to £33.2m. The attributable share of sales of the principal intercor companies amounted to £49.1m against £44.5m.

The chairman points out that the volume of export sales from the UK increased by 18 per cent but due to competitive pressures and the rise in the value of the pound, net export prices were only 7 per cent higher than those of the previous year.

On the basis of ED 18 with the application of appropriate indices for chemical plants it is now estimated that the net current replacement cost of the fixed assets of the Laporte group is £140m compared with a net book value of £38m based on historical costs. The attributable share of the principal intercor companies is estimated at £38m compared with £12m based on historical costs.

The pre-tax profit adjusted in accordance with the Hyde guidelines is shown at £6.19m (£5.53m) after additional depreciation £2.6m (£1.82m, cost of sales adjustment £1.75m (£1.34m), less gearing adjustment £408,000 (£450,000).

At the year end there was an increase in cash resources of £1.12m (£3.77m decrease).

At April 22, Solway and Cie held 19.6 per cent of the equity, Solway UK 5.39 per cent and Ministry of Finance Government of Kuwait 6.48 per cent.

Meeting, 20, Aldermanbury, EC, June 15, at noon.

## Milford Docks slumps

INCLUDING AN exceptional credit of £29,720 compared with £20,102, pre-tax profits of Milford Docks Company for 1977 slumped from £138,002 to £14,777. At midway, before exceptional items, the decline was from £39,647 to £2,007.

Tax for the 12 months took £6,837 against £73,500 and the dividend is held at 2.86p net, costing £20,904. Accumulated profits stood at £312,195 (£325,159).

A professional valuation of the group's dock structures and land and buildings carried out at the end of last year amounted to £1.82m to show a surplus of £777,000 over the book values of these assets of £1.11m, excluding the oil tanks having a net book value at December 31, 1977, of £28,358, and before taking account of any taxation which would be payable on disposal.

## McCairms just ahead at halfway

On turnover up from £3.79m to £7.28m, pre-tax profits of McCairms Motors for the half-year to March 31, 1978, were just ahead to £26,999 as compared with £27,974 last time, and the directors state that trading results for the second half should be similar. The company achieved a record £580,000 for the whole of the 1977-78 year.

Earnings per 25p share are 7.59p (7.65p) and the interim dividend is increased to 1.5p (1.25p) net—last year's final was 2.75p.

Net profit was £157,522 (£132,974) for the half-year, after tax £129,127 (£125,000). The company is a motor vehicle distributor.

## Wormalds Walker back to profit

A turnaround of £513,318 from a loss of £516,319 to pre-tax profits of £26,999 is reported by Wormalds Walker and Atkinson, woollen textile manufacturer, for the 52 weeks to February 25, 1978, on turnover down from £5.54m to £4.24m.

Stated earnings per 25p share are 3.05p compared with a loss of 16.42p and again there is no dividend, the last being a 1.675p final for the 1977-78 year.

The directors say that the profit on trading has been arrived at after crediting receipts from the temporary employment subsidy.

Tax took £1,200 (nil) and after an extraordinary credit of £133,456 (£106,853), representing surpluses realised on the disposal of certain fixed assets after tax, profit for the year came out at £229,255 against a loss of £409,268.

# GILL & DUFFUS GROUP

## 1977—A Vintage Year

Summary of Results for the Year ended 31st December

	1977	1976	1975
	£m	£m	£m
Profits before tax	20.4	13.4	7.9
Profits available for Ordinary Stockholders	15.6	6.9	3.9
Capital and Reserves	47.3	28.9	18.6
Dividends per Ordinary Stock Unit (net)	8.712p	5.72p	5.20p

In his Annual Statement, the Chairman of the Gill & Duffus Group, Mr. F. M. Gill, reports:

1977, by any standards, proved to be a vintage year for the Gill & Duffus Group. Not only were we celebrating the Queen's Silver Jubilee, but also the company's 70th birthday. Paol's 40th and Gill & Duffus in New York their 25th. It is a particular pleasure therefore, to present once again record results, indeed for the eighteenth consecutive year.

Group profit at £20.4m. represents an increase of 52 per cent on the previous year.

Taxation has been provided in full on the profits of the year, but again this charge consists almost entirely of a transfer to deferred taxation. In this respect, the Board has decided that the provision for United Kingdom deferred taxation made in the 1976 Accounts relating to relief for stock appreciation will not be payable in the foreseeable future, and the sum of £5,131,000 has been released to the Profit & Loss Account. After taxation, minority interests, preference dividend and the adjustment referred to above, there remains a balance of £15,607,000 attributable to Ordinary Stockholders.

The Board recommends a final Ordinary Dividend of 4.752p per Unit making a total for the year of 8.712p and equivalent to 13.2p gross as indicated at this time last year (1976, 8.727p gross). The Board also recommends a one for one Scrip Issue to Ordinary Stockholders.

Gross profit retained, together with the proceeds of the successful Rights Issue in May, 1977 have resulted in a substantial increase in shareholders funds from £28.9m. to £47.3m.

In the commodity world, 1977 will be

remembered as the year in which the prices of cocoa, coffee and tea rose to higher levels than ever previously recorded. The unprecedented rise peaked in the summer months, only to be followed by an equally dramatic decline in the latter part of the year.

In such conditions, it is noteworthy that all sections of the large industries involved, from production to distribution, and the futures markets used by them, came through without undue difficulties.

An outstanding year, like 1977, once again demonstrates the quality of the people we employ. After two such years, it would be easy to ask for a breather. However, merchant venturers do not stand still and there are already signs that 1978 is shaping well.

If you would like to receive a copy of the Annual Report and/or the descriptive booklet entitled "The Growing World of Gill & Duffus," please complete the following coupon:

To: The Secretary, GILL & DUFFUS GROUP LTD., St. Dunstan's House, 201 Borough High Street, London SE1 1HW.

Please send me a copy of

☐ The 1977 Annual Report and Accounts.

☐ "The Growing World of Gill & Duffus."

Name \_\_\_\_\_

Address \_\_\_\_\_

FT

## Compton & Webb expects to hold market share

ALTHOUGH CONDITIONS continue to be difficult, Lord Chelwood, the chairman, believes that J. Compton Sons and Webb (Holdings) will hold its own during the current year. Longer term prospects are very encouraging, he says in his annual statement.

Current domestic demand for uniforms remains slack and there is still no sign of an upturn but the group has fully retained its share of the reduced market and is well placed to expand production when it improves.

Concentration on improving techniques, standards and designs is aimed at gaining access to a more quality-conscious home market, especially that for structured garments, and the group is developing its export connections in Europe, Africa and the Middle East.

As known, pre-tax profits slipped from £2.38m to £1.82m in 1977 on turnover of £18.47m (£19.13m). The maximum permitted 1.5065p net dividend is an indication of the directors' confidence in the company, which remains in a strong position, members are told.

Liquid funds were down £288,000 (£291m increase) at the year end.

Exports more than trebled, from £34,000 to £1.75m, and this largely made up for the 10 per cent fall in the value of the home market. However, exports still represent only about 10 per cent of turnover and the directors hope at least to double the figures in 1978.

Still competition for fewer orders at home from traditional

customers meant lower margins, says Lord Chelwood. Overcapacity, combined with the continuing recession at home and abroad, accentuated the problems of the uniform clothing industry. There was strong continuing emphasis on improving quality and designs of uniforms, and the group spent close on £350,000 on new machinery and techniques.

The directors consider that the costs of replacement of plant and machinery in an inflationary era would be the most significant factor affecting the group when considering the assessment of profits on the historic cost basis. Consequently the plant, machinery and buildings have been revalued in terms of current costs and their future life. After allowing for depreciation at realistic rates the net value of group's fixed assets has been assessed at £4.4m which represents an increase of £1.8m over the balance sheet figure. The depreciation charge under the current cost convention for 1977 is assessed at £480,000, an increase of £210,000 as compared with the £270,000 shown in the accounts.

Meeting Quaglinos, SW, on June 13 at noon.

### RUGBY CEMENT

The directors of Rugby Portland Cement consider that the market value of group land and buildings, at end-1977 was at least £13m. In excess of the book value of £12.25m. The £60.35m stated in

yesterday's report is the total fixed assets.

In the reference to source and application of funds, the figures were transposed. At the year-end bank balances were reduced by £1.25m compared with an increase of £3.53m.

## Standard Chartered Australia

Standard Chartered Bank has increased the capital of its wholly-owned merchant bank unit from A\$1.5m to A\$5m and changed its name from Wallace Sassoon to Standard Chartered Australia.

The increased capital will enable the company to expand its merchant banking, commercial lending and money market activities in Australia. Meanwhile, shareholders in the finance company, Mutual Acceptances, have approved the previously reported allotment of 12m 50 cent par shares to Standard Chartered Bank at 85 cents each.

Standard Chartered's stake is increased to 51.98 per cent (34.33 per cent) and Mutual Acceptance's issued capital is up from \$3m to 45m shares.

Both moves are part of the bank's continuing aim of diversifying into settled political areas such as Australia, it is stated.

It's what we've got behind us that puts us out in front.

When you fly with Group 4, you enjoy all the benefits private aviation has to offer. Plus a few others that the others can't provide.

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Not simply with airport facilities, but with an international network of offices in major and minor cities all over.

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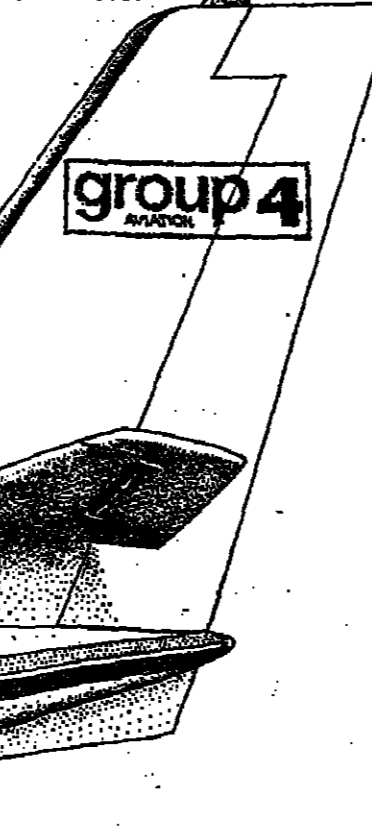
We're better in the air because we're bigger on the ground.

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# Vickers

## Compensation delay inhibits forward planning

Points from the Statement by the Chairman The Rt. Hon. Lord Robens of Woldingham PC DCL LLD and from the 1977 Report and Accounts.

- Overall profits of continuing businesses in 1977 maintained at 1976 level.
- Order intake of these businesses increased in real terms.
- Dividend increased to maximum permitted.
- Derisory payments on account of only £7m for the profitable shipbuilding and aircraft interests have reduced profits.
- £75m programme of reinvestment since nationalisation legislation initiated.
- Delay in receipt of fair compensation has forced deferment of Company's development plans.
- U.K. export orders on hand more than doubled from £35m to £84m.

### SUCCESSES IN 1977 INCLUDED:

- Howson-Algraphy again achieved a very substantial increase in profits.
- U.K. Engineering Group increased profits for the seventh successive year.
- Broadly maintained profits from engineering in Australia and Canada.
- Advance in Roneo-Vickers profits in a difficult trading year.
- A successful year for Vickers Instruments.

Consolidated results for the year ended 31st December 1977

	1977	1976
	£'000	£'000
Sales (Note 1)	409,388	424,234
Consolidated trading profit (Note 2)	26,617	26,777
Investment income	273	221
Interest payable less receivable	9,795	9,595
Consolidated profit before taxation	17,095	17,403
Share of profits of associated companies (Note 3)	7,966	20,896
Profit before taxation	25,061	38,299
Taxation	11,013	19,160
Profit after taxation	14,048	19,139
Minority shareholders' interest	1,393	1,194
Stockholders' profit before extraordinary items	12,655	17,945
Extraordinary items (1,655)	(1,655)	(2,376)
Stockholders' profit	11,000	15,569
Dividends	4,675	4,222
Profit retained	6,325	11,347
Earnings per £1 of Ordinary Stock before extraordinary items	28.1p	40.2p
NOTES	£'000	£'000
1 Includes Shipbuilding sales	59,144	104,279
2 Includes Shipbuilding trading profit	3,839	4,680
3 Includes share of profits of British Aircraft Corporation (Holdings) Limited	7,974	19,956

Copies of the Report and Accounts 1977 have been posted to Stockholders of the Company. The 111th Annual General Meeting of Vickers Limited will be held on the 16th June 1978 at Millbank Tower, London SW1.

VICKERS LIMITED,  
VICKERS HOUSE,  
MILLBANK,  
LONDON SW1P 4RA



Lord Robens' statement concludes:

"The uncertainties which continue to surround compensation for nationalisation, together with the present lack of growth in the U.K. industrial economy, make it particularly difficult to forecast future profitability. However, we are well placed to increase profits when industrial activity and particularly capital investment in U.K. accelerates and, in the meantime, we enjoy a strong competitive position in export markets."

**THE THARSIS SULPHUR & COPPER CO LTD**

For the year 1977 the Directors have paid an interim dividend of 4 pence per share inclusive of any tax credit or tax deduction and they now propose a final dividend of 6 pence per share inclusive of any tax credit or tax deduction. The payment of this dividend will be conditional upon obtaining permission from the Spanish Exchange Control authorities for the transfer of the necessary funds.

# Duport first half hit by depressed demand

## Encouraging start for

Meeting, Millbank, S.W., June  
16 at noon.

See Lex

1977. Demand on Dupont's steel units was again low with deliveries only marginally higher than in 1976-77. Over the year plants operated at only 73 per cent of the level reached in the last peak demand year of 1974-75. Dupont Foundries had an excellent year and high levels of output were maintained. Demand for Burman's heavy

amounted to £21,739,000 and the net inflow represents an increase of £1,294,000 in amount held on deposit and current accounts, and a reduction in bank overdrafts of £39,000.

Meeting, Birmingham, June 14, at 12.30 pm.

Mr. Crossman says there is every indication that vehicle leasing will be a big business in the near future.

**B.C. Improvements (Enfield)**  
**Company, Torquetrone, Doctor**  
**Financial Advisers, Planaway,**  
**Sheerness Development and**  
**Property Company, Baffin Invest-**  
**ments.**  
**Hotel Majestic (Scarborough),**  
**Peasie Renairs (Alvaston).**

BY LYNTON McLAIN, INDUSTRIAL STAFF

He said last night that the problems at Hancock Shipbuilding would not affect Celtic Haven

But Mr. Hancock said it was unlikely that the company could continue.

## Very nervous conditions

Points from the statement  
by the Chairman,  
Sir Raymond Potter,  
presented at the 125th  
Annual General Meeting  
on 22nd May 1978.



### Progress during 1977

At 31st January 1978 the assets of the Halifax were £6,509 million having increased by £1,098 million during the financial year under review, an increase of 20.3%. Receipts from investors and depositors (including interest credited to accounts and not withdrawn) amounted to £2,938.8 million; withdrawals for the year were £1,873.6 million, and the resultant net investment inflow £1,065.2 million.

During the last financial year over one million new investment accounts were opened together with 143,800 new mortgage accounts. An average of 3,787 new accounts was opened each working day and at 31st January 1978 the total number of open accounts exceeded 5,800,000.

## Investment Experience

The net investment inflow into the Society during 1977 of £1,065.2 million represented a substantial improvement on the inflow figures for the previous year. This is most satisfactory especially when looked at against the general fall in interest rates which was a significant feature of the year. Although these reductions have taken place the return offered to investors has continued to be extremely competitive when compared with other forms of investment within the personal savings sector. This is particularly so when one considers what I call the package deal of a Halifax investment, namely ease of access, maximum security and the minimum of formality.

As I have stated before, what will do most to help investors protect their savings is a continued reduction in the level of the rate of inflation.

## Mortgage Lending

The Society advanced on mortgage £1,327.8 million, of which £58 million was lent to existing borrowers for home improvements. Of equal significance was the

fact that this record sum was distributed between a record number of borrowers. The following figures may also be of interest:-

22.8% of mortgages granted during the year were to people 25 years of age or under.  
47.1% of the number of mortgages were to first-time borrowers.

49% of all mortgages went to people with incomes of £4,000 or below.  
28% of loans were on properties built before 1919.

The frequent changes in interest rates last year meant that the cost of mortgages for our existing borrowers was reduced from 12½% to the present level of 8½%. I would

hope that this refutes the claim often made that we are slow to reduce the mortgage rate, although I would add that to have introduced changes more frequently than we in fact did.

would probably have meant that our lending programme would not have been as successful as it was.

## Administration

The record performance we have achieved is not something which happens merely because of our size but because we offer the sort of service which is only possible when all those associated with the organisation tackle their duties in such an exemplary manner. I extend to them all my most sincere appreciation.

**HALIFAX**  
BUILDING SOCIETY  
Member of The Building Societies Association

Member of The Building Societies Association

## MINING NEWS

## Loans agreement helps new Afton mine

BY PAUL CHEESERIGHT

LESS THAN a month after it officially opened, Canada's newest copper mining complex in British Columbia, Afton Mines, has announced a financial restructuring which will save it the equivalent of 7.7 cents on every pound of copper it produces during the first year of operation.

The opening of the new mine in the first place was defiantly against the prevailing trend in the international industry where production cutbacks and mine closures have been frequent.

Rui Afton sells its blister copper output under a long-term contract to two U.K. groups, BICC and Delta Metal. On the assumption that the price received reflects London Metal Exchange values, Afton has been forced to find ways of reducing costs.

The effect of the financial restructuring is to lower interest charges by \$3.9m a year. The interest rate on its loans will fall by 4.5 per cent.

In December, when the scheme

was first introduced, Dr. N. B. Keenly, the Afton president, said: "This potential saving in interest represents the single biggest cost saving available to the company and will add to its profitability."

The saving is achieved by the conversion of loan financing worth \$75m (£37.3m) from the Bank of Montreal and the Canadian Imperial Bank of Commerce to \$60m-worth of floating rate income debentures.

But the re-organisation goes further. Afton is to transfer half of its assets and liabilities to Teck Corporation, in exchange for the 50 per cent equity held by Teck. The idea of the exchange is to give the bankers stronger security.

The venture will still continue on a joint basis between Teck and Afton, however, and other shareholdings will not be affected. After the changes have been made—and this depends on the agreement of the shareholders—Teck will retain an indirect 30

per cent interest in Afton through Iso Mines. Iso would own 45 per cent of Afton and Teck holds 65 per cent of Iso.

## STEADY RISE IN GOLD OUTPUT

South African gold production rose in April for the fifth successive month, the latest statistics from the Chamber of Mines revealed. After four months, output this year is running 278,133 ounces ahead of the cumulative total over the same period of 1977 at 7,472,837 ounces. But output in 1977 was abnormally low. A combination of labour problems led to the lowest production for 18 years. April production for all the gold mines was 1,358,598 ounces, an increase of 52,628 ounces over March. In April, 1977 output was 1,362,379 ounces. The last time that more than 2m. ounces was produced was in September, 1977.

## BIDS AND DEALS

## Carding suspended on merger talks

BY CHRISTINE MOIR

SHARES of Carding Group, the Wolverhampton-based British Leyland motor distributor, were suspended yesterday because merger talks were in progress which might lead to a bid for the company.

The suspension price of 20p a share values Carding at £4.6m. In the Stock Market yesterday the Carding share price was considered the most likely bidder.

A year ago it made an unsuccessful attempt for Colmore Investments, the Birmingham Renault dealer, and has since sold the 50 per cent stake it built up during the bid for £353,000.

In his chairman's statement in the last accounts Mr. Tom Cowie said: "The policy of expansion will continue, with prospective acquisitions being constantly explored."

Mr. Cowie was unavailable for comment yesterday and the company secretary, Mr. P. T. Billingham, declined to discuss the matter.

At Carding, Mr. Pat Carding, a director, also offered no comment. When asked whether the group had been having discussions with Cowie.

Nor would Mr. Carding discuss the £4.6m stake in the company. Carding held by John Stait and family. He refused to say whether it had been sold recently. By contrast the directors hold 13 per cent of the equity.

Mr. Stait resigned his holding in 1973 when Carding made a £2m. bid for the John Stait Group, a property development concern. Carding itself already had some important property investments by way of offices linked to its garages. The company's name was changed to Stait Carding.

In 1974, however, the crash in property caused the group to be sold. The £1.5m. profits expected from the merger of the two pre-tax figures was £500,000. By 1975, this had turned into a loss of £80,000 and the proposed deal was abandoned.

Since then profits have begun to pick up again and last year's pre-tax figure of £211,000 looks like rising to around £600,000 for the year to March 1978.

At the interim stage, Carding reported pre-tax profits of £242,000. Instead of the £428,000 of which 32 per cent arose from the motor division and 39 per cent came from property investment. The company said that the motor division had been reduced volume was particularly good and the group had £1m. of outstanding orders for Jaguar cars alone.

English China Clays has acquired the capital of Andrews and Miller for £510,000. A and M manufactures and supplies building blocks, bricks and roof tiles and sand and gravel and operates in the fields of road haulage and house building in the South Devon area.

The price is being satisfied by 307,261 shares and £230,273 cash. The latest audited accounts of A and M showed a net asset value of £135,477 and pre-tax profits of £16,886.

Keyser Ullmann Holdings—25,000 shares held non-beneficially by C. M. Keyser were sold on July 24, 1977.

Proprietors of Hay's Wharf has acquired Renteria (UK) for £50,100 satisfied by £100 cash and

229,840 ordinary shares taken at £19.1p per share. Routacate provides a service connected with office removals.

## Cooper Inds. sells steel scrap company

The steel maker and engineer Cooper Industries has sold its steel scrap subsidiary, C. C. Cooper, to its associated company, Lloyd Cooper. The latter is a steel mini-mill owned jointly with F. E. Lloyd, which utilises largely scrap for its processes.

Yesterday, Mr. John Cooper, one of the directors, explained that both partners believed that if capacity at the mini mill was to increase substantially it would need to control its own scrap supplies. Both Cooper and Lloyd will in future buy scrap from F. E. Lloyd, which is to be a wholly-owned subsidiary of the mini mill organisation.

Lloyd Cooper is paying £500,000 in cash for assets of £663,104 as at the last balance sheet date (April 30, 1977). At that time C. C. Cooper made pre-tax profits of just over £1m but since then the balance sheet has been wiped out and the deal with Lloyd Cooper allows for a decrease in the price equal to the "trading loss" for the year to April 30, 1977.

In the meantime, output at the mini mill has been stepped up in recent months and is now running at between 85-90 per cent of capacity, up 20 per cent higher than in January. Margins are "excellent," according to Mr. Cooper.

GEERS GROSS STAKE SOLD The January moves at advertising agents Geers Gross which in

Automotive Products—The Emmott Foundation has purchased 23,000 ordinary shares. Three of the directors of the Foundation—Mr. J. B. Emmott, Mr. M. Keeble and Mr. E. G. Barratt—are also directors of Automotive.

Strong and Fisher (Holdings)—At May 18, the ITC Pension Trust jointly with the ITC Pension Investments were interested in 375,000 ordinary shares.

Philip Hill Investment Trust—Prudential Assurance's interest is 2,998,795 shares (6.2 per cent) on a par of 2,300,375.

Iris Hydraulic Tin—Pangkalen holds 85,000 shares (6.64 per cent) having disposed of 10,000.

Metatrax (Holdings)—The ITC Pension Trust jointly with the ITC Pension Investments hold 150,464 ordinary shares. The Courage Pension Fund holds 181,500 shares (registered in the name of Princes Street Nominees).

Laporte Industries (Holdings) Kuwait investment office sold on May 12 25,000 ordinary shares (thereby reducing holding to 257,000 (6.21 per cent)).

NFI Furniture Centres—A. C. Southon, Chairman, bought 10,000 shares on May 19 and N. A. V. Lister, director, bought 50,000 on same day.

Keyser Ullmann Holdings—25,000 shares held non-beneficially by C. M. Keyser were sold on July 24, 1977.

Proprietors of Hay's Wharf has acquired Renteria (UK) for £50,100 satisfied by £100 cash and

involved the purchase of the U.S. agency Richard K. Alanoff and the one-for-one rights issue, has led to further changes in the major shareholdings in the company.

Yesterday it was learnt that Cunningham and Walsh, the major U.S. agency, has sold its stake in Geers to a group of institutions. Cunningham used to have 12 per cent of the shares, but did not take up its rights in January, so the sale yesterday would have involved 6 per cent of the equity.

Emray having reorganisation discussions

Shares of Emray, the overseas trader operating in Zambia, were suspended at the company's request yesterday as the Board is in talks which may lead to a "major reorganisation."

Mr. D. J. Eldridge, chairman, said yesterday that a further announcement would be made as soon as possible. He declined to comment on a rumour that Mr. Lionel Altman is buying a stake in the company.

But he did mention Emray's difficulty in expanding in its current condition. It has not yet paid a dividend in the interim report the company said its business was "continuing to be affected by import licence, price control and exchange control restrictions in force in Zambia." Pre-tax profits in 1976 were £378,000.

ASSOCIATES DEAL Last Friday, Rowe and Pitman, Hurst-Brown bought 1,000 Linford Holdings at 132p for a discretionary investment client.

SHARE STAKES

General Trust and its subsidiaries have sold 25,000 income shares. Holding now 208,463 (8.7 per cent).

Warner Holidays—Joint dealings by directors are reported as follows: E. H. S. Warner, H. E. A. Warner and J. O. C. Warner on May 8 sold 5,000 ordinary at 51p and bought 5,000 ordinary at 53p; on May 12 sold 10,000 "A" ordinary at 37p and bought 10,000 ordinary at 39p.

Globe and Phoenix Gold Mining African Lakes Corporation now holds 7.56 per cent.

Growthell Group—PMA Holdings now holds 13,750 preference shares (7.68 per cent).

Atlantic Assets Trust—Mr. J. C. Gammell, director, purchased as a trustee 15,400 shares thereby increasing trustee holding to 202,556.

Mining Supplies—Mr. A. Snipe, director, sold 50,000 shares on May 18.

Willis Faber—Mr. R. N. Bowes, director, sold 25,000 shares at 268p on May 17, and Mr. D. V. Palmer, director, sold 70,000 at 270p on May 18.

Whitbread—C. A. Sherman has acquired 87,700 "B" shares and now holds 87,700 (7.9 per cent). C. Skilbeck has disposed of 70,700 "B" ordinary shares and his holding is now below 5 per cent.

The transactions relate to a change of trustee.

Lesney Products—Interest of L. C. Smith is reduced by 200,000 shares to 6,482,012 (22.04 per cent); interest of N. V. Smith reduced by 202,062 to 6,300,550 (21.61 per cent); interest of S. B. Quin reduced by 200,000 to 4,789,130 (16.36 per cent).

Maurice James Industries: Shares held by the family interests of W. Shant Kydd, director, have been reduced by the sale of 300,000 shares.

FC FINANCE

Sir Arthur Sugden, chairman of F.C. Finance told shareholders at the AGM that it would be unrealistic to expect as high a rate of increase in traditional business as that achieved in the last three years, but current new business was being maintained at a more than satisfactory level above that for 1977.

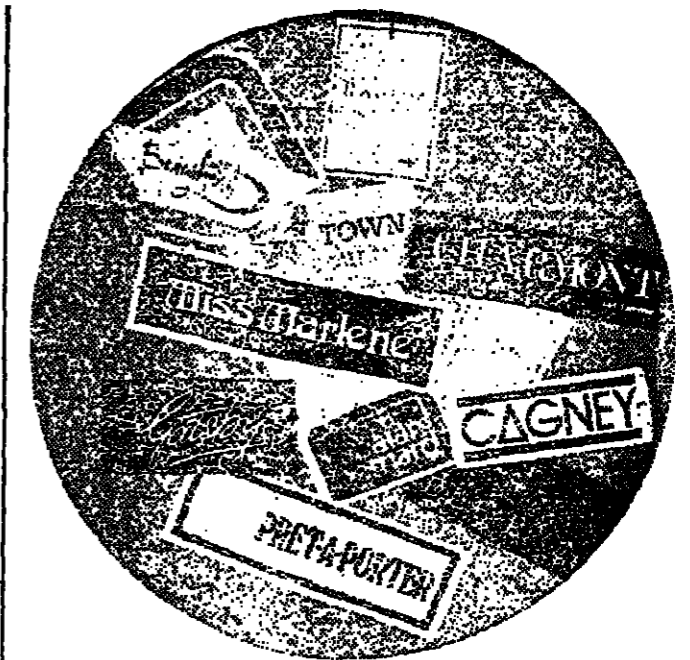
Points from the Annual Statement to Shareholders by the Chairman, Mr. R. C. Hale, B.Com.

Turnover has again shown a substantial improvement. Profit before and after taxation achieved record levels despite the effect of currency changes.

Manufacturing facilities in the United Kingdom continued to be enlarged and developed.

Further growth in turnover and profit is expected in 1978.

The Directors are recommending a final dividend of 3.88224p per share which constitutes the maximum permissible.



## Labels that lead the world in fashion

Behind the labels is a young team of talented executives who have the kind of flair and special qualities demanded by the fashion industry today. Together they all helped to push sales up to a record £11.5 million and profits through the £1 million barrier. Exports also did well nearly reaching £4 million. Helene's Chairman, Mr. Montague Burkeman, confidently states in his report to shareholders that the company's financial position is sound and concludes "liquidity is at present at an exceptionally high level which will facilitate the continuation of our policy of expansion."

## Our Ten Year Record

	1968	1977
Sales	5,046,188	11,550,544
Group Profit before Tax	503,680	1,159,755
Earnings per Share	1.0p	4.31p



## Helene of London Limited

For copies of the Annual Report please write to:—  
The Company Secretary, Helene of London Limited,  
20 Eastcastle Street, London W1.

## FINLAY PACKAGING LTD.

(Printers, Manufacturers and Converters of Packaging Materials)

The 22nd Annual General Meeting of Finlay Packaging Limited was held on 22nd May in Belfast. Mr. R. N. D. Langdon, F.C.A., the Chairman, presiding. The following are extracts from the Accounts for the year ended 31st December, 1977:—

	1977	1976
Year ended 31st December		
Profit before tax	£465,816	£463,573
Taxation	£253,884	£234,742
Net profit after tax	£231,932	£228,831

ACCOUNTS: Sales amounted to £4,917,029 of which £38,760 comprised exports. During 1977 the company made a capitalisation issue from reserves on a one-for-one basis so doubling the issued capital from £214,500 to £429,000. The issue was made to bring the share capital more into line with the capital employed.

TRADING: The results are most satisfactory. The company is dependent to a significant degree upon the fortunes of the tobacco trade, which it is especially well placed to serve. We are mindful of the fact that government policy is clearly directed to discourage smoking and we continue our efforts to expand in other fields.

## APOLLO

Edited by Denis Sutton

## The world's leading magazine of Arts and Antiques

Published Monthly price £2.00. Annual Subscription £25.00 (Inland)  
Overseas Subscription £28.00 USA & Canada Air Assisted \$56  
Apollo Magazine, Bracken House, 10, Cannon Street, London,  
EC4A 4BT. Tel: 01-248 8000.

## Greenall Whitley

Brewers since 1762

Unaudited results for the six months to 31st March, 1978

	Six months ended 31.3.1978 (26 weeks) £000s	Six months ended 25.3.1977 (26 weeks) £000s	Year ended 30.9.1977 (53 weeks) £000s
TURNOVER	61,757	50,873	107,006
Trading Profit before charging expenses below	8,231	7,110	15,881
Repairs to Properties	1,662	1,468	3,287
Depreciation	1,076	889	1,630
Interest payable	621	655	1,028
Investment Income	(100)	(138)	(245)
PROFIT BEFORE TAXATION	4,972	4,236	10,181
Less: TAXATION at 52%	2,585	2,203	5,361
PROFIT AFTER TAXATION	2,387	2,033	4,820
PREFERENCE DIVIDEND	23	—	—
EARNED FOR ORDINARY AND 'A' ORDINARY SHARES	2,364	2,033	4,820
INTERIM DIVIDENDS	645	586	1,271
Earnings per Share			
Ordinary Share	4.88p	4.20p	9.95p
'A' Ordinary Share	0.98p	0.84p	1.99p

- \* Profit before tax up 17.4%.
- \* Increased beer sales volume.
- \* Increased contribution from all divisions.
- \* Interim Dividend payable 1.3309p per Ordinary and 0.2661p per "A" Ordinary, on 21st July, 1978.
- \* We believe there are substantial benefits to be gained from the proposed merger between Greenall Whitley and James Shipstone & Sons, Ltd. the Nottingham brewers, who own 275 public houses and 109 off-licences in the East Midlands

C. J. B. HATTON,  
Chairman.

## Greenall Whitley &amp; Co. Ltd.

Wilderspool Brewery, Warrington WA4 6RH  
Brewers since 1762: distillers and wine merchants;  
Cambrian soft drinks; Compass Hotels;  
Red Rose inns and grills.

## THE IMPERIAL COLD STORAGE AND SUPPLY COMPANY LIMITED

(Incorporated in the Republic of South Africa)

## PROFIT STATEMENT AND DIVIDEND ANNOUNCEMENTS

The audited results of the group (excluding extraordinary items) for the year ended 28th February 1978 were as follows:

	1978 R000	1977 R000
Turnover	446,349	396,522
Group profit before taxation	15,932	14,732
Taxation	7,031	6,205
Group profit after taxation	8,981	8,527
Minorities	1,095	1,085
Profit attributable to shareholders	8,786	7,442

Number of ordinary shares in issue 23,654,400 23,654,400  
Earnings per ordinary share 37c 31c  
Dividend per ordinary share 13c 12c

Final dividend No. 86 on Ordinary Shares

Notice is hereby given that a final dividend of 10 cents per share (1977-8 cents) has been declared on the company's ordinary shares, payable to shareholders registered in the books of the company at the close of business on 16th June 1978. Together with the interim dividend of 3 cents per share paid on 9th December 1977 this makes a total dividend of 13 cents per share for the year ended 28th February 1978 (1977-12 cents).

The dividend is declared in the currency of the Republic of South Africa and becomes due on 17th June 1978. Dividends payable from the office of the company's London transfer secretaries will be paid in United Kingdom currency at the rate of exchange ruling on 17th June 1978.

Dividend warrants will be posted on or about 14th July 1978. Non-resident shareholders' tax will be deducted from dividends where applicable.

The ordinary share registers of the company will be closed from 17th June 1978 to 30th June 1978 both dates inclusive.

Interim Dividend No. 78 on Preference Shares

Notice is hereby given that an interim dividend of two and three quarter per cent has been declared on the company's preference shares, payable to shareholders registered in the books of the company at the close of business on 9th June 1978.

The dividend is declared in the currency of the Republic of South Africa and becomes due on 10th June 1978. Dividends payable from the office of the company's London transfer secretaries will be paid in United Kingdom currency at the rate of exchange ruling on 10th June 1978.

Dividend warrants will be posted on or about 30th June 1978. Non-resident shareholders' tax will be deducted from dividends where applicable.

The preference share registers of the company will be closed from 10th June 1978 to 21st June 1978, both dates inclusive.

By order of the Board  
J. P. Enslin  
Secretary

Office of the United Kingdom  
Transfer Secretaries:  
Charter Consolidated  
Services Limited,  
P.O. Box 102,  
Charter House,  
Park Street,  
Ashford, Kent  
TN24 8EQ

Registered Office:  
171 Jacob Mare Street,  
Pretoria.

22nd May, 1978

The List of Applications will open at 10 a.m. on Thursday, 25th May, 1978, and close at any time thereafter on the same day.  
This notice is given in accordance with the provisions of the Companies Act 1967 and the Companies (Share Capital and Management) Regulations 1967, and the Companies (Share Capital and Management) Regulations 1967, and the Companies (Share Capital and Management) Regulations 1967.



## Barnet Corporation

ISSUE OF £5,000,000

12½ per cent. Redeemable Stock 1987

Authorised by the Council of the London Borough of Barnet and in accordance with the Local Government Act 1972, the Local Authorities (Finance and Accounts) Regulations 1972 and the London Borough of Barnet Consolidated Loans Fund Scheme 1971.

PRICE OF ISSUE £98 PER CENT.

Payable as follows:

On Application	£10	per cent.
On 4th July, 1978	£40	per cent.
On 29th August, 1978	£48	per cent.
	£98	per cent.

INTEREST (LESS INCOME TAX) WILL BE PAYABLE HALF-YEARLY ON 1ST JUNE AND 1ST DECEMBER.

A FIRST INTEREST PAYMENT OF £4,500 (LESS INCOME TAX) PER £100 STOCK WILL BE MADE ON 1ST DECEMBER, 1978.

The stock is an unsecured floating debt of the Barnet Consolidated Loans Fund Scheme 1971.

1. SECURITY—The stock and interest thereon will be secured upon all the assets of the Corporation. The stock will rank equally with all securities issued or to be issued by the Corporation.

2. PROVISION FOR REPAYMENT OF LOANS—The Corporation is required by the Local Government Act 1972 and the Local Authorities (Finance and Accounts) Regulations 1972 to provide for the repayment of its loans by means of a sinking fund.

3. PURPOSE OF ISSUE—The proceeds of the present issue of stock will be applied to the repayment of loans borrowed by the Corporation for the purpose of financing the development of the Corporation's assets.

4. REDEMPTION OF STOCK—The stock will be redeemed at par on 1st June, 1987, unless previously cancelled by purchase in the open market or by agreement with the Corporation.

5. REGISTRATION—The stock when fully paid will be registered and transferable in accordance with the provisions of the Companies Act 1967 and the Companies (Share Capital and Management) Regulations 1967.

6. INTEREST—Interest on the stock will be paid half-yearly on 1st June and 1st December by cheque or by direct payment to the account of the stockholder.

7. APPLICATIONS AND GENERAL ARRANGEMENTS—Applications must be made on the prescribed form accompanied by a deposit of 10 per cent. of the nominal amount applied for, and received at National Westminster Bank Limited, New Issues Department, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue, London, EC2P 2ED.

Applications must be for a minimum of £100 stock or in multiples of £100 for applications up to £1,000 stock and not exceeding £5,000 stock in multiples of £500.

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**BANCO  
ARABE  
ESPAÑOL**  
المصرف العربي الاسباني

**Aresbank**

**ANNUAL GENERAL MEETING OF THE SHAREHOLDERS**  
Held in Madrid on April 24th 1978

The following are extracts from the address delivered by the Chairman of the Board of Directors, Mr. Abdulla A. Saudi.

- The financial statements reflect the continuous growth and rapid expansion of the Bank's activities.
- The Bank's new premises were inaugurated in December.
- Aresbank has been particularly active in the syndication of 43 foreign currency loans.

- Operations related to foreign trade activities were satisfactory during the year particularly between Spain and the Arab World.

- Total deposits at the year end amounted to US \$ equivalent of 413 million, of which US \$ 385 million correspond to interbank deposits.

- Our Peseta lending operations have doubled during the year as compared with 1976.

- The Bank has cooperated with its Arab Shareholders in the promotion of Banco Arabe Latinoamericano (ARLABANK) becoming a Shareholder with a permanent seat on the Board of Directors.

- The general growth of our Institution necessitated a further increase in the Bank's equity base approved by our Shareholders at an Extraordinary General Meeting held on January 17th 1978 doubling our equity capital to 3 Billion Pesetas (equivalent to US \$ 37 Million).

- Net profits before taxes amounted to Pesetas 419 million (equivalent to US \$ 5.2 million) out of which 102 Million (US \$ equivalent 1.3 million) is to be distributed as dividends.

**AUDITED BALANCE SHEET\***  
(IN THOUSANDS OF DOLLARS)  
-DECEMBER 31st 1977

ASSETS	
Cash and Bank of Spain	314
Due from Banks:	
Pesetas	28,555
Foreign currency	236,689
	265,244
Investment securities	4,028
Loans	162,154
Customers' liability for documentary credits, acceptances and guarantees	197,515
Bank premises and equipment	7,440
Accrued interest and other income receivable	6,787
Other assets	414
	643,896
MEMORANDUM ACCOUNTS	460,257

LIABILITIES AND SHAREHOLDERS' EQUITY	
Demand deposits	8,512
Time deposits:	
Pesetas	46,708
Foreign currency	342,831
	389,539
Documentary credits, acceptances and guarantees per contra	197,515
Warranty deposits	15,184
Accrued interest payable	4,510
Income taxes	2,584
Other liabilities	2,265
	630,089
SHAREHOLDERS' EQUITY	
— Share capital	18,587
— Legal reserve	413
— Retained earnings	4,807
	643,896
MEMORANDUM ACCOUNTS	460,257

\*These are abbreviated financial statements extracted from those expressed in Pesetas audited by Whinney Murray Ernst & Ernst. Full audited financial statements are available upon request to the Bank. (Rate of conversion 80.7 Pesetas = 1 dollar).



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**INTL. FINANCIAL AND COMPANY NEWS**

**Higher profits and traffic at Singapore Airlines**

BY H. F. LEE

SINGAPORE, May 22.

SINGAPORE AIRLINES (SIA) has achieved a 15.5 per cent increase in pre-tax profit to approximately S\$50m (US\$21m) for the year to March. According to preliminary unaudited figures released by the company, the profit growth came on top of a 29.4 per cent surge in revenue to S\$1.13bn (US\$482m).

Total expenditure rose by 27.8 per cent to S\$1.06bn.

The figures released are those of the airline only and exclude its subsidiaries which are actively involved in airport ground handling services, hotel industry and duty-free retailing and which also generate substantial revenue for the company.

The profit figure has also been adjusted to take into account the adjustments which are expected to be made when the accounts are finalised.

SIA said that it has shortened the depreciation period for its new aircraft and associated spares from eight years previously to six-and-a-half years in line with its conservative depreciation policy, to take into account the increasing cost of fleet replacement. This depreciation period, the airline stated, years in the current financial year, ending March, 1978.

The number of SIA passengers in the last financial year rose by 14 per cent to 2.55m, while cargo carried increased similarly by 14 per cent to 51m metric tonnes.

The total load carried expressed in terms of tonne-kilometre rose by some 21 per cent, outpacing the growth in capacity output which expanded by 18 per cent to 1.47bn tonne-kilometres. As a result, SIA managed to chalk up a three point improvement in its overall load factor to 69 per cent.

SIA said that its constant expansion of operations and upgrading of technology helped to restrain the rise of unit operating costs but were insufficient to offset the effects of inflation. Operating cost per tonne kilometre thus rose from 61 Singapore cents to 63 Singapore cents.

**C. G. Smith sounds warning on prospects**

By Richard Reife

JOHANNESBURG, May 22.

C. G. SMITH SUGAR, which acquired Illovo Sugar Estates from Tate and Lyle last year and now accounts directly for over a third of South African sugar output, increased profits in its year to March 31. But the company has sounded a warning, with its preliminary figures, over current prospects, on which the directors say they "cannot take a sanguine view."

Trading profit rose from R17.5m to R21.5m and after dividend income reduced from R3.4m to R2.5m, total profits went ahead from R20.9m to R24.7m (\$23.3m). The improved profits at the trading level are due to the first-time consolidation of Illovo, improved sugar milling efficiencies and additional sugar output from C. G. Smith's original interests. The dividend has been held at 75 cents.

Low world sugar prices and rising domestic costs of production are the main areas of concern, but a positive point is that the C. G. Smith Group, from which C. G. Smith Sugar derives dividend income through its 42 per cent stake, has sold its interest in Reed International's problematical Stanger pulp and paper plant.

**Bank of Cyprus in the black**

By Our Own Correspondent

NICOSIA, May 22.

MR. MICHALAKIS SAVVIDES, president of the Bank of Cyprus (Holdings), has reported a 1977 profit of 754,600 Cyprus pounds (\$198,000)—compared with a loss of C£434,000 in 1976—and announced a 5 per cent dividend, the first to be issued to shareholders since the Turkish invasion in 1974.

At the annual general meeting of the bank, the island's oldest banking establishment, he said prospects for 1978 were also "quite encouraging." Deposits last year reached C£20m, against C£18.2m in 1976.

**Japan Line management change**

TOKYO, May 22.

JAPAN LINE COMPANY, Japan's largest tanker operator, has announced a major change in top management as part of a plan to salvage its financially troubled operations.

The company has selected Takeshi Kitagawa as president in place of Hisashi Matsunaga, who will move up to the current vacant position of chairman.

Mr. Kitagawa is vice-president of Toyo Soda Kogyo Company, and a former executive with the Industrial Bank of Japan. Japan Line's principal lender and a leader of the reconstruction effort.

Thissou Guda, also of IBJ, will be named a director and other changes will be made in upper management by the end of the month. All the appointments are subject to approval at a meeting of major shareholders in June.

The announcement follows offers to resign earlier this month from the shipping company's board of directors, to take responsibility for the serious financial trouble which prompted an agreement with lenders to postpone repayment of about ¥300m (\$130m) in loans during the fiscal year which began April 1. At last September 30, Japan Line had debts of about ¥180bn.

Japan Line, it is understood, plans under this year's budget to renegotiate a saving of ¥21bn in charter contracts.

An official at Japan Development Bank, the Government agency which is granting a moratorium about ¥9.3bn in loans due this year, said the World-wide Shipping Group is expected to absorb about ¥5bn of the reduction. Japan Line's charter payments have expanded over the past few years to ¥179bn in the year ended March 31 1977, from only ¥99bn in the 1974 year.

Bankers said the first year's plan to reconstruct Japan Line's finances will involve a number of measures including the selling of assets and securities, and the reduction of operating expenses through payroll economies and negotiations with its labour unions. Savings could amount to about ¥20bn.

"The company has to reduce expenses because business revenues just aren't going to pick up with the market for tankers depressed," said one AP-DJ.

**Japanese department store sees gain**

FINANCIAL TIMES REPORTER

MARUI COMPANY, a Japanese department store specialising in credit sales, expects consolidated net profit to rise 5.9 per cent in the year ending January, 1979, from ¥8,900m (\$40m) during the past fiscal year, Mr. Tadao Aoi, the president, said in London yesterday.

Consolidated sales are expected to rise 9 per cent from last year's ¥132.9bn (\$510m).

Mr. Aoi said that the upper end of the 5.9 per cent range of expected profit gain represented the fundamental trend of earnings but that currency translation effects as a result of exchange rate movements could have a negative impact. Marui floated \$30m of convertible bonds in Europe in 1976.

Marui's forecast for the parent company alone sees net profit rising to ¥7.1bn, or 11 per cent, from ¥6.11bn last year.

Parent company sales are projected at ¥197.5bn, up 8 per cent, from ¥183.7bn.

The outcome could be better, however, Mr. Aoi said. Parent company sales were up 10 per cent from a year earlier in the fiscal first quarter, ended April, he said, and he believed that rate of gain would continue for the full year.

On the basis of Marui's conservative official forecast, parent company net profit is expected to rise to about 3.5 per cent of sales this year, from 3.5 per cent last year, and 3.1 per cent, two years ago.

Mr. Aoi said that whereas lower Japanese interest rates were a major contributor to last year's profitability improvement, a significant part of this year's expected gain will stem from stronger consumer spending and a better sales mix centred on pick-up in demand for clothing. Sales of garments slumped last year in part because of mild winter weather.

Following the recent cut in Japan's official discount rate, Marui's long-term borrowing cost has declined to 7.25 per cent from 7.5 per cent in the autumn. In the autumn of 1978, Marui paid about 8.5 per cent for the funds needed to finance its instalment credit sales. Although interest rates appear to have about reached bottom in Japan, the company operates.

He adds, however, that the directors now believe that the operational problems have been identified and steps have been taken to correct them. Jardine Davies has started 1978 with a new and strong management team.

**Jardine Davies optimistic**

BY ANTHONY ROWLEY

HONG KONG, May 22.

JARDINE DAVIES, the Philippines-based sugar-production, manufacturing and services company which suffered a profits collapse in 1977—the year after it went public—expects "improved results" in 1978.

This assurance is given by Mr. D. K. Newbigging, the chairman, who is also chairman of Jardine Matheson, the Hong Kong trading house which has a 74 per cent stake in Jardine Davies.

In August 1976, Jardine Davies offered 15 per cent of its outstanding capital stock to the Philippines public at P100 pesos 14 each. This was in response to what Jardine Davies termed "encouragement from the Philippines Government." Proceeds of the P100 peso 42m issue were applied initially to reducing Jardine Davies' debt.

While the issue prospectus was cautious on prospects, it hardly suggested that profits before tax would fall from P100 pesos 59.6m to P100 pesos 15.1m (\$2.2m) between 1976 and 1977. Dividends per stock unit were reduced from P100 pesos 1.02 to P100 pesos 0.40 between these two years.

In his annual report, Mr. Newbigging states that Jardine Davies encountered a number of problems during 1977, some of which were due to operational deficiencies in past years, and others due to depressed economic conditions in some areas of the Philippines economy in which

**Australian spending up**

CANBERRA, May 22

NEW CAPITAL expenditure by companies in Australia rose to A\$1.80bn (U.S.\$2.02bn) seasonally adjusted in the first quarter of 1978, from A\$1.67bn in the fourth 1977 quarter, according to preliminary Statistics Bureau figures.

This compares with expenditure of A\$1.48bn in the first quarter of 1977.

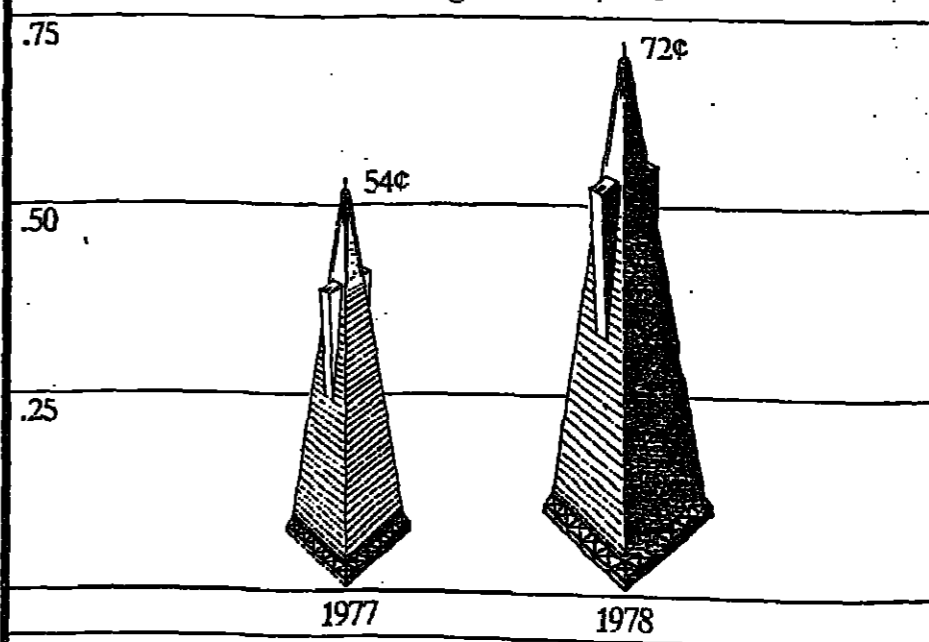
Reuter

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For our 1977 annual report and latest quarterly report, please write: Corporate Relations Department, Transamerica Corporation, 600 Montgomery Street, San Francisco, CA 94111.

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The Financial Times

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LOE 808S

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## FINANCIAL TIMES SURVEY

Tuesday May 23 1978

## BUSINESS TRAVEL

Travel for the businessman today is a complex affair, and it has been thrown into confusion during the past year by the enormous reduction in air fares. Professional assistance seems to be essential to obtain the best deal.

## The year of the falling air fare

By Arthur Sandles

IF ANYTHING marks 1978 out from the rest in terms of business travel it must surely be that this year has seen the gentle simmering of air fare manipulation change into a full blooded revolution. In the wake of Mr. Freddie Laker's Sky-Train exercise fares have come tumbling down in various parts of the world, provided you are prepared to meet the various travel conditions attached. Even that long-term stronghold of high fares, Europe (and notably the routes to Scandinavia), seems to be wilting under the assault of consumer and Governmental pressure.

However, the air fare changes that we continue to see have one major drawback. The complexities of air fare structures are now such that only an expert can find his way through them. Today's business travellers need not only a team of accountants to keep Whitehall happy, but also a team of travel agents to see them on their way. The divergence between Standby fares and normal

first class fares on many routes is laughable—but a more detailed look at that particular situation can be found elsewhere in this Survey.

The very complexity of the travel business today has spawned a whole new industry offering expertise. The business person, vaguely aware that without help he is likely to be paying more than he should and perhaps not getting what he really needs, is now besieged by advice and offers of assistance.

Increasingly travel agents, airlines, hotel groups and car rental companies are making their sales pitch on the basis of: "Don't worry old chap, just give us all your business and we'll take all your worries away." It's a tempting line but, like the Book Club or the magazine subscription, once you have signed it can be the very devil to change your mind later.

Car rental is a good example of the trap which lies waiting for the unaware. Most of the bigger car rental groups are very eager to do business on a corporate basis. The company will be offered a substantial discount on normal rates, and personnel will be provided with various forms of payment. The temptation then is for the company to put all its business through that one car hire organisation. However, life is not necessarily that simple.

Car rental company rates tend to vary considerably. Thus, if your business involves high mileage one-day rentals in the UK using basic small cars, without actually looking at the somewhat different company price tag for their particular traffic pattern.

your traffic is in limousines rented for low mileage, but long term, trips in Switzerland. A surprising number of companies seem content to work on the simple "how much discount will we get" basis for hotels, car rental, expense account-dining and the like, without actually looking at the price tag for their particular traffic pattern.

Indeed one of the problems with business travel is sorting out the needs of the consumer. Although there is a pre-occupation with price in much of the material produced by both industry and commentators, price sensitivity would not seem to be the prime factor in some sectors of the market. Although senior management may well be in-

terested in the best rates for conference packages or fleet rental, the requirements for individual trips may be completely different and price a very secondary factor. Sadly enough, however, the cost of travel today can be a significant deterrent. Even the price of sending three people by rail to a conference in, say, Brighton, from anywhere else

within Britain can be significant and is these days the subject of the closest scrutiny. One of the bright aspects of the travel business this year is the arrival of tax concessions for those who spend a great deal of time abroad. The sums involved are not enormous but it is nice to know that the Chancellor has at least recognised that there is a measure of dis-

turbance involved in frequent foreign journeys. It is probable over the next few months that we will see the actual attitudes of the Revenue towards foreign travel claims.

At the moment a fairly open view appears to be the norm. If your travel in the tax year 1977-78 was not noticeably different from the pattern of 1976-77, then a signed undertaking from an employer (the self-employed have only recently been offered relief) should suffice for a tax rebate. However, it is probably best to hang on to those airline tickets just in case the Inspector should actually seek proof.

The fact that the travelling businessman is expected to keep hold of his tickets (I have still to discover whether four days in a foreign hospital in the midst of a business visit is deductible or not) serves to indicate just how sophisticated travel industry to get the business travel is these days.

No longer is it simply a question of popping round to the travel agent and buying a two-way ticket to New York.

The complexity of the business is due to what the business community might regard as a rather odd attitude on the part of the travel industry towards its most reliable source of revenue. The development of leisure travel has tempted hoteliers and airlines to offer greater incentives to this volatile market, and yet so construct rates as to prevent, if possible, the major consumers being able to obtain attractive prices. It is one of those odd situations in which the person who buys most pays most—fly weekly to Washing-

ton and you will pay more than the grannie who is taking her first flight ever. The business traveller may not be price-sensitive, but that is not say that he lacks price-awareness.

Perhaps the business traveller has come to accept that he is a creature to be wooed when times are bad or when he can shop elsewhere, but to be exploited when he has little other option but to accept what is offered whatever the price.

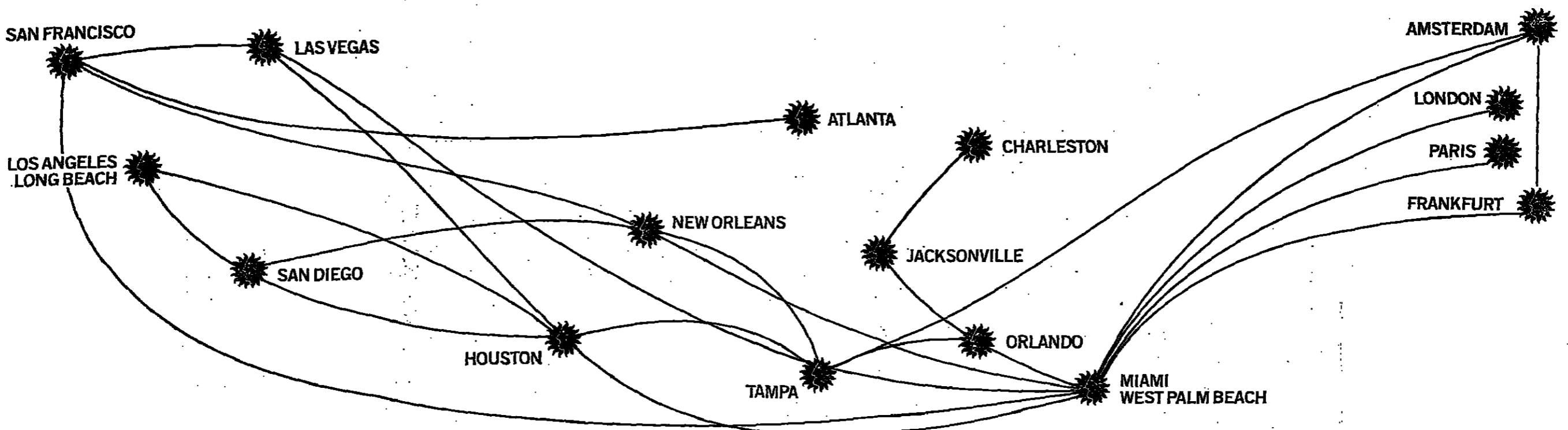
Nonetheless business travel has come into its own in recent years as the travel industry has realised that it is much more reliable than the leisure market. Hotel groups such as Hilton and Intercontinental, which have largely built their success on the business traveller, have long since realised the value of the corporate customer, but it took a few years of economic recession for much of the rest of the industry to get the message.

Now the business person is wooed with some eagerness by hotel groups, airlines, car rental companies and travel agents. The fact that it is a buyer's market does not necessarily have its impact on prices but it does mean that a measure of service is available in some fields which may not have been apparent in the 60s when the holidaymaker was king. The business traveller has shown himself to be the backbone of the travel industry and, to some extent, is being treated accordingly. Perhaps some of us would like to see him getting the prices he deserves as well as the treatment he deserves, but that may be asking too much.



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5 Morris Marina 1300 4 door saloon Morris Marina 1300 4 door saloon	£6.90 6p	£68.25
6 Princess 1300 saloon Morris Marina 1300 4 door saloon	£7.60 7p	£77.00
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INCREASINGLY IN recent years, busy executives have been turning to the light aircraft as a means of defeating growing congestion not only on the roads and railways but also on the scheduled services of the regular airlines. There can hardly be an executive around who does not know the feeling—long, frustrating journeys to increasingly crowded airports, difficulties in parking the car, delays at check-in desks, the possibility of further delays due to industrial disputes—and still the journey itself to undertake, with Customs and immigration controls the other end, and the final journey by car or taxi into the destination office. The result so often is a weary, exasperated individual, with little physical or nervous energy left for important business discussions.

It is in this situation that the possibility of riding in comfort in an aircraft exclusively one's own for the day becomes not just a luxury, but can be a necessity. Many business organisations have recognised this, and have entered what is broadly termed the "general aviation" field, by buying their own aircraft, or undertaking long-term charters of small executive-type cabin aircraft.

HS-125s down to small piston-engined cabin monoplanes. In 1977, the ATOA members flew collectively close to half a million passengers, over a distance of 23m miles on flights throughout Europe, and the Middle East and Africa.

A large proportion of these flights were directly connected with export industries and the development of North Sea oil and gas, but the enlargement of the Common Market has brought about a substantial increase in the demand for this type of air service, and the ATOA members have responded swiftly. This year, the Association expects that its members will improve substantially on their 1977 performances.

The big advantage of the air taxi is that it is operated to suit the convenience of the customer. The flight will be made from the nearest airfield to his home base, taking him as close as it can to his destination factory or office (and this can be very close indeed, even on the roof, if the executive chooses to hire a helicopter), and bring him back again, very often within the compass of one working day. There are thus no delays with Customs and immigration, and a passenger can frequently arrive at his departure airport within minutes of takeoff time, parking his car without difficulty and often free of charge. The flexibility of the air taxi operation is indicated by the fact that whereas the scheduled airlines operate from some 25 airports in the UK, the air taxis can fly to and from more than 200. The operators are bound by a strict code of conduct and service, and because all of the ATOA's members and their crews are governed by the regulations of

the Civil Aviation Authority, their standards of ability are as high as those of the airlines.

### Urgent

The air taxis are not only geared to provide passenger services, but can also offer freight carriage, especially for urgent shipments, and the Association's members can offer facilities for speedy Customs clearance—a factor which can often halve the journey time for a consignment of vital spare parts, equipment or even documents.

The air taxi is also often considerably cheaper than normal scheduled airline services, depending, of course, entirely upon the number of people travelling, the type of aircraft used, and the distances involved. The ATOA's members, however, undertake to give an estimate of probable costs over the telephone, and an aircraft can often be ready to take-off (subject to weather and availability) within half an hour of a telephone call. There is no necessity to book weeks in advance.

When considering comparative costs, however, it is always advisable to include in the equation the costs of time that would normally be wasted travelling to major airports, and waiting at airports at both ends, and also the possibility of having to spend nights away, involving hotel bills and other costs.

In addition to the immediate availability of air taxis from the members of the ATOA, it is also possible to arrange for flights at major airports, to provide connections to other destinations, or to take pas-

sengers to major airports for onward scheduled flights. Agreements have been signed between the ATOA and such major airlines as British Airways, Air France, Lufthansa, Middle East Airlines, Scandinavian Airlines System, Swissair, and Qantas to provide this service, which operates round the clock and can thus often save the cost of an additional night's accommodation.

Other facilities available through the members of the ATOA include business aircraft management, air ambulance, aerial photography, surveys, engineering, maintenance and repair services, hotel and car hire reservations, and aircraft sale and purchase, handling both new and used aircraft, while also providing a complete range of sales and finance services to companies, clubs and private individuals.

Access

Thus when assessing the value of the air taxi system, a prospective customer should take into account the following factors:

- 1—The availability of many general aviation airfields at home and abroad, usually within easy access of the intended town of departure or destination;
- 2—Time-saving and reduction in travel stress when compared with other means of transport;
- 3—The possibility of completing business in one day, thus avoiding overnight accommodation and other expenses;
- 4—The considerable saving of valuable executive time, and the ability to discuss business confidentially during travel;
- 5—The short notice needed to summon an air taxi at all times;
- 6—The ability to plan one's own timetables and to change the itinerary if required;
- 7—Minimum check-in time and airport formalities;
- 8—The fact that air taxis are normally not affected by public service strikes, go-slows or other industrial disputes;
- 9—The efficient planning of use of an air taxi can produce costs lower than alternative means of transport in many cases.

All these factors, together with the fact that air taxis are

run according to a strictly professional code of safety, conduct, and business ethics under the Civil Aviation Authority's regulations, add up to the fact that the air taxis must be considered a significant contribution to any busy executive's daily life.

Michael Donne  
Aerospace Correspondent

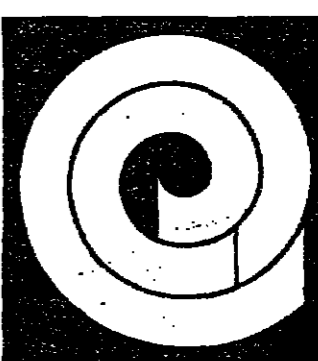
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## The battle in car rental

THERE CAN surely be few more fiercely competitive businesses today than car rental, with the major companies offering all manner of inducements to potential customers. It is a brave travel manager who lets a car rental salesman get his foot in the door. The very fact of competition, however, has made car rental one of the most impressively sophisticated areas of travel activity, not only in sales techniques but also in the fields of management and customer service.

A brief look at the marketing techniques of the car rental groups indicates immediately that for all the aggression of the game the one aspect which is not emphasised is price. The business traveller is apparently conscious of price, but it is not his prime consideration. The major groups compete mostly in terms of service—the winning system is the one that gives the customer the car they want, when they want it and with the least administrative bother. It sometimes seems that Godfrey Davis/Avis/Hertz girls are born with smiles on their faces and keys in their hands.

It is the service aspect of car rental that has made these companies what they are. Even today the corner garage is likely to offer more advantageous cash terms than one of the regular customers. It is a brave travel manager who lets a car rental salesman get his foot in the door. The very fact of competition, however, has made car rental one of the most impressively sophisticated areas of travel activity, not only in sales techniques but also in the fields of management and customer service.

### Change

The major change in the car rental market over the past year may have gone unnoticed in the general consumer and that is the sudden rapid rise in commission rates to travel agents.

These agencies get their living by taking a commission on all business passed through them, and car rental companies rely heavily on the agents for their business. A small storm was caused in the business when the Eurocar, a French-based operation new to the British market, but full of ambition, increased its commission level to 20 per cent, about a year ago. Hertz and Avis were quick to reply, and offered additional tasters to keep the travel trade happy. Godfrey Davis has played the ability and simplicity of services.

game a little more firmly and normally gives a 15 per cent cut to agencies, which is also the norm for rivals like Budget, Kenning and Swan National.

Car rental is an extraordinarily complex business which involves rather more than simply opening a desk at an air port and offering to rent cars. The car renters are in the business of keeping the right sized fleet and making sure that its utilisation is maximised. A fleet which is too large can be more expensive than a fleet which is too small. Clearly the business market is the one which offers any car rental company the opportunity of ironing out the peak season/week-end over-demand positions which result from a reliance upon the leisure market. A corporate customer which is renting cars in mid-winter and mid-week is like manna from heaven for the rental company which has expensive cars and maintenance facilities to look after.

The great marketing ploy of the American majors, Avis and Hertz, is their world wide availability and simplicity of services. The great marketing ploy of the American majors, Avis and Hertz, is their world wide availability and simplicity of services.

CONTINUED ON NEXT PAGE

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# Fares policy causes discontent

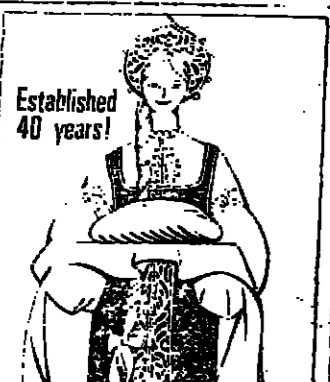
THE AIRLINES undoubtedly like the business traveller. They have every reason to do so, for he or she has been the principal base upon which the elaborate structure of scheduled air services girdling the globe has been built. His or her requirements have been, and still largely are, responsible for the maintenance of a high standard of in-flight cabin service on many scheduled flights, of adequate inter-line facilities (the airline jargon for connecting flights), and of high standards of punctuality and reliability. Nothing irritates a business traveller more than poor cabin service, dirty aircraft, and unpunctuality. The business traveller is entitled to all these things, because he pays the highest fares—not necessarily first-class fares (although an increasing number of them do travel first-class), but increasingly now also first time last winter. If, in addition to these, are added the business traveller's not only the principal reason for the introduction of the route in the first place, but also its mainstay for years, especially if it is to a place that is either primarily a business centre or lacking in tourist potential—and there are many such routes, especially to some parts of the Middle East. On many other routes, his numbers are increasing at a faster rate than those of the so-called "leisure traveller."

## Disgruntled

But, for all this, it is fair to say that many business travellers are becoming increasingly disgruntled, despite what the airlines claim to do for them. As Airline fares policies are at the root of those travellers' discontent. They have seen a steady erosion over the years in their influence on the airline business, as more and more operators have paid more and more attention to the rising tide of "consumerism," and at no time has this change in attitude on the part of the airlines been more apparent than in the past year.

In civil aviation, the word "consumer" has become almost synonymous with "cheap fares." And so far as some airlines are concerned, apparently the cheaper the better. For many years, on short-haul European routes, the business traveller complained because frequently he found himself sitting next to another passenger who was enjoying the same class of seating and cabin-service, but at a much lower group or special promotional fare, as a result of the airlines' efforts to try to stimulate traffic among those who had never flown before. On many short-haul European routes, much of this discrepancy has disappeared as a result of the "growth" of holiday charter flights, but it does still exist on others. More recently, and especially within the past few months, a similar situation has emerged on the North Atlantic air routes as the growth of low-fare leisure-travel has extended into long hauls and the airlines have moved to meet the rising demand.

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## Car rental

CONTINUED FROM PREVIOUS PAGE

vice. The debate over who is biggest, although fierce, is irrelevant to consumers even if in itself it does make a fascinating marketing story. In Britain for some time it was Avis which made much of the pace.

Today Hertz seems to be fighting back hard in the marketing war although the Avis momentum shows little sign of having diminished. Less headline grabbing but equally impressive has been the performance of home-brewed Godfrey Davis. The group's major coup in recent years was, of course, the link up with British Rail but recently it has also introduced the Shuttle-Drive system with British Airways.

It is difficult to judge just how much of the total car rental market is in the hands of the majors, since so much of it is fragmented and still rests with local garages and medium-sized well run companies which serve the local business and leisure community. The business user, particularly one who is renting cars locally and returning them to the same office could be well advised to investigate this local market since there are often considerable cash advantages. There is little point in paying for rent-it-here/leave-it-there services and airport locations which are not in fact going to be used. It is probably to compete with this very area that Hertz has recently introduced its one-day unlimited mileage system.

A.S.

studying this problem, as part of a move to try to improve its fares-fixing machinery (and its image) worldwide. The association, at its annual meeting in Madrid last November, set up a team of "five wise men," comprising the chairmen and chief executives of five major airlines (British Airways, Alitalia, Air Canada, Air-India and Trans World Airlines), to find ways not only of improving compliance, but also of ensuring that its fares-fixing methods were brought up to date in a world in which, albeit perhaps temporarily, consumerism has become rife. The growing impatience of many would-be travellers (including businessmen) at the high levels of air fares has led not only to the airlines themselves bringing them down, but also to governments forcing them down by the introduction of competitive services. The Budget Plan and Stand-By fares, for example, on the North Atlantic, were the direct result of the UK Government approving the introduction of a cheap Laker Skytrain service in late September.

On some major routes, such as the North Atlantic, the UK and U.S. governments themselves stepped in to the negotiating business, and bargained among themselves to establish

fares levels between their two countries for this summer. As a result of all this, the airlines, through IATA, have seen their traditional role of establishing fares being eroded. They do not like it, but are obliged to accept it. At the same time, however, they have decided to take a leap ahead of the situation, by reorganising themselves; hence the "five wise men."

## Flexible

This team has now submitted its first report to IATA's executive committee, which is expected to pass the proposals (still secret) on to a full meeting of all the airlines in Montreal in late June. The team is expected to suggest that the airlines should abandon their long-drawn-out world-wide fares-fixing conferences, in favour of much smaller, more flexible, local and regional fares meetings, which stand a better chance of success (that is, of avoiding being negated by a veto from just one airline) and also of producing fares more realistically in tune with the local thinking of governments, LATA's own exercise in self-criticism is expected to be whatever IATA recommends, known, so that the governments too

however, is likely to take some time to filter through the various processes of government for the future. Just what will emerge remains uncertain. No-one in the airline business is even ready yet to commit himself as to the future trend of North Atlantic fares—and on other routes, too, because the North Atlantic is the key route on which much of what happens in fares elsewhere in the world is based.

Certainly, so far as the North Atlantic is concerned, the present concept of very cheap Budget-Plan and Stand-By fares between a large number of European and U.S. cities will remain for the coming summer, and into the autumn. An Anglo-U.S. governmental meeting is expected in the autumn to consider the impact of these cheap fares during the past summer, and this is due to be followed by a more significant meeting, involving the U.S., UK, Canada and European nations.

The latter meeting, probably in November, is intended to thrash out, once and for all, just what fares policies will be implemented between all the European countries and North America, so as to suit the requirements of all the airlines, and all classes of traveller. By then, too, the results of the LATA's own exercise in self-criticism is expected to be whatever IATA recommends, known, so that the governments too

should have enough information on which to base new policies for the future.

Just what will emerge remains uncertain. No-one in the airline business is even ready yet to commit himself as to the future trend of North Atlantic fares—and on other routes, too, because the North Atlantic is the key route on which much of what happens in fares elsewhere in the world is based.

## Stability

What does seem to be emerging in the current situation, however, is a belief in the airline industry that consumerism has already been carried too far, and that the widespread introduction of cheap fares is likely to be disastrous to the financial stability of the air transport industry if allowed to run unchecked. There is hardly an airline chairman in the world who has not warned already of the dire consequences of this lemming-like rush towards consumerism for the consumer's sake, with no regard being paid to the airlines' own exercise in self-criticism is expected to be whatever IATA recommends, known, so that the governments too

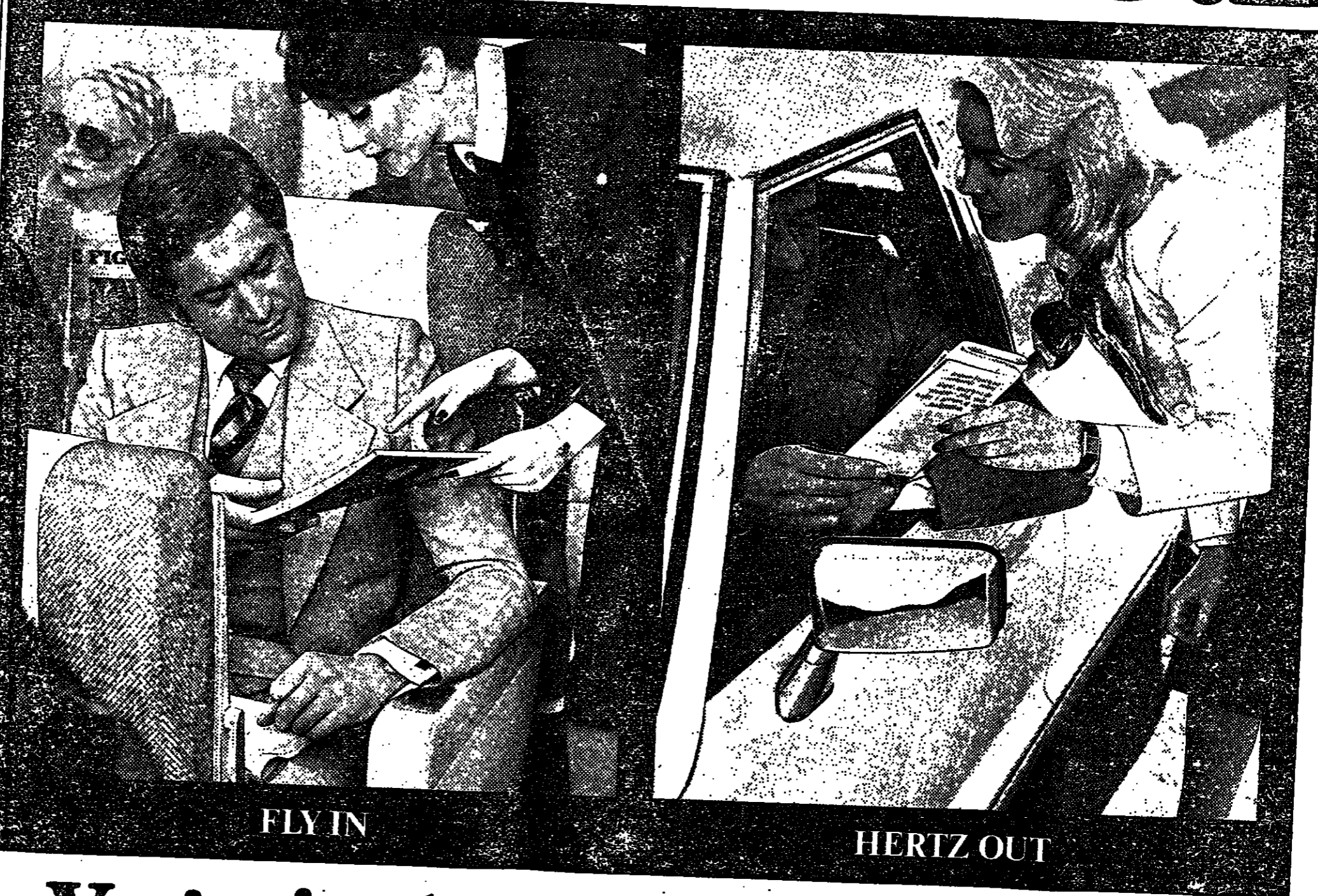
views, as has been evidenced by the continued determination of the U.S. government to promote cheaper fares both internally as well as internationally. It could be argued from the business traveller's viewpoint that if he cannot lick them, he should join them—in other words, that he can, if he wishes, always transfer his business to the cheaper rates along with the leisure travellers. But so far, there is little evidence that he is doing so—there does not appear to be a significant drain of business traffic from the normal economy-class services with their guaranteed seats at higher fares to the cheaper Stand-By and Budget-Plan fares, although some such transfers, of course, have occurred.

In the long run, it has to be accepted by the business traveller that these cheaper rates are probably here to stay, although they may be adjusted upwards in the light of experience and of economic pressures. The business traveller will hence always find himself perhaps only "Business Class," as someone else who has paid a substantially lower fare, and his only possible redress, short of the impossible one of not travelling by air at all, is to separate standards of service.

Beyond this, lies the development of new concepts of carriage by class of fare, which broadly appear to involve the reduction of the existing plethora of rates into a much smaller number of fares, and hence classes of travel, travelling in the same aircraft at a fare below present first-class rates. Economy-Class and Budget-Plan/Stand-By class on one aircraft, with three separate cabins and three separate standards of service.

Michael Donne

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## BUSINESS TRAVEL IV

## Sorting out the currency

THE DRAMATIC fluctuations in the value of currencies in the past few years have brought home the problems which can arise for travellers abroad when their own currency is under pressure. The pound has varied within a single year from over £2.00 to a low point of around \$1.63, a difference of not far short of 20 per cent., and anybody who was carrying sterling abroad when the pressure was at its worst during 1976 could have suffered a significant loss.

Even worse, there have been periods when in certain parts of the world it has been difficult to persuade local banks and retailers to accept sterling at all, whether in the form of travellers' cheques or cash, or at best the holder might have to take a substantial discount. Those problems have evaporated with the sharp recovery of the pound last year, and though there has been some renewed decline this year the pressures in the market are a long way from being as serious as in the past.

Nevertheless, the experience has underlined the need to take some care in making arrangements for carrying money abroad to cover the necessary expenses involved in travel. The advice used to be to carry travellers' cheques expressed in dollars which, as the leading international currency, tends to be the most reliable and generally acceptable even at times of turmoil in the exchange markets. Even here, though, the steady drop in the value of the U.S. currency last year may have made some people think twice about this idea.

In general terms, however, the arrangements needed to cover expenses abroad have become considerably easier in recent years, not only because of the easing of official currency controls but also because of the developments which have taken place in the services offered by the banks through their credit and cheque cards. Effectively, with the appropriate range of cards in his pocket the traveller need never find himself unable to pay a bill or to raise some cash.

The official controls on the

amounts which can be taken abroad are these days not designed to present any obstacles to genuine requirements for the purposes of business travel. The limit on the amount of foreign exchange which can be taken abroad for holidays is now £500 — increased from £300 in the October economic package — while up to £100 can be taken in sterling notes.

## Allowance

However, people travelling outside the U.K. for genuine business or professional reasons who need more than this for the journey can apply to a bank or travel agent for an additional allowance of foreign currency. This can be made available at a rate of not more than £100 a day (also increased last October from £75) within an overall limit of £3,000 for any one journey.

Even this limit, though, need not be an obstacle. The limits imposed by the authorities are designed not so much as a ceiling on the export of foreign currency but to help in their monitoring of outflows and to pre-

vent the misuse of facilities. If a businessman needs more than his own bank is authorised to allow, it is possible to make application to the Bank of England for permission to exceed the limit.

There are, of course, strict rules on the use to which the money can be put. Foreign exchange facilities obtained for travel may not be retained abroad for use on a later journey or be used abroad for any other purpose, such as investing in foreign currency securities, property or land. Any unused facilities in foreign currency have to be surrendered within a month from the date of the traveller's return to the UK or within a month of issue if by that time the journey has not started. Facilities expressed in sterling should be surrendered either within six months from the date on which they were obtained or, if the traveller is still abroad then, within a month after his return to the UK. Subject to these rules, there is no problem in obtaining the funds to support business travel.

The question of how to carry

the money raises different issues. In principle, there is a great deal to be said for taking as little as possible in the form of actual cash, whether in currency or sterling, because of the risks of loss or theft. The familiar travellers' cheque, whether issued by a bank or travel agent, has many advantages, offering normally a degree of insurance against loss.

The choice of currency in which to express the cheques can be more difficult, but as a general rule there is a good case, where possible, for taking cheques in the currency of the country to be visited: this avoids the risks of a decline in relative value and possible lack of acceptability when the currency markets are under pressure. Nevertheless, it remains true that in most parts of the world the dollar is the most familiar and acceptable form of international currency.

Beyond this, the credit cards will be familiar to most businessmen and are widely and increasingly accepted. The two major travel and entertainment (T and E), cards, American Express and Diners' Club, are

old-established and fall into a rather different category from the cards issued by the banks. They are generally speaking more up-market, aiming specifically at the much-travelled executive, involve a charge to the holder and do not offer the extended credit facilities available on the bank cards.

Nevertheless, their position is strong in the market and though the banks are making increasing efforts to develop their own services the T and E cards remain among the most useful forms of currency which can be carried. The two main bank cards in the UK, Barclaycard, run by Barclays, and Access, run by the other big banks, have a rather different character.

## Combination

Domestically, their main purpose in life is to combine an easy method of making payment for goods and services with the provision of extended credit from which the banks make their real profits. The banks have, however, extended their services internationally with

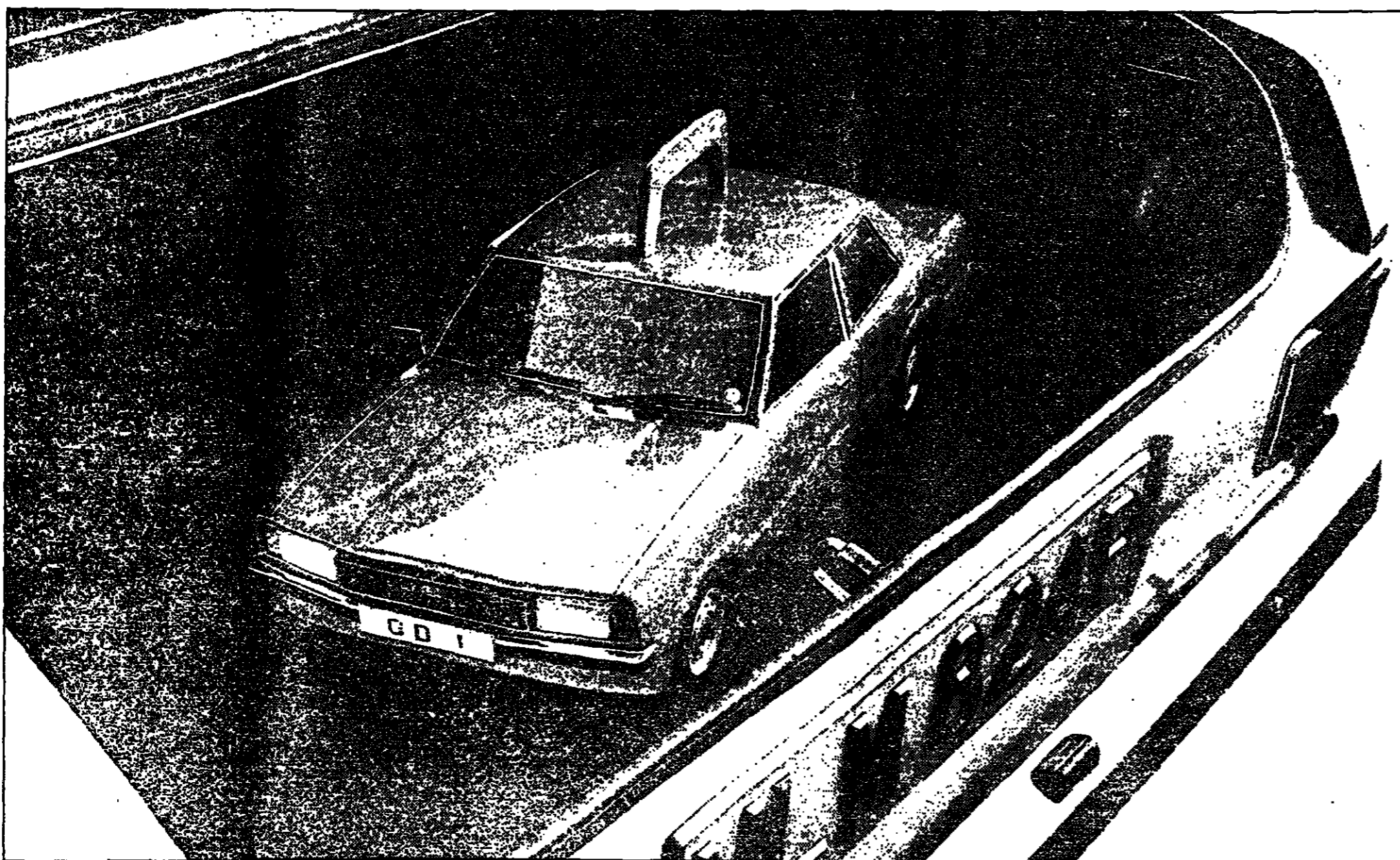
the combination of credit cards and cheque guarantee cards for this purpose. Abroad, the cheque guarantee system works through the Eurocheque arrangement which brings together a wide range of bank, linking up with the Mastercard organisation, and banks in Europe. However, of Eurocard, while Barclaycard came up against the problem that some of the continental members were against the dual function of its card, and banks particularly in West Germany and the Benelux countries were pressing the UK After a long debate, Barclays had to concede the point this year and now customers are able to apply to the bank for a separate Eurocheque encashment card, which will support cheques up to £50 per encashment under the local currencies at any branch of the Visa banks, which include for example some 8,500 outlets in Europe.

Through these connections, cardholders are able to enjoy the mutual benefit of the ability bank to bring this to an end. The After a long debate, Barclays had to concede the point this year and now customers are able to apply to the bank for a separate Eurocheque encashment card, which will support cheques up to £50 per encashment under the local currencies at any branch of the Visa banks, which include for example some 8,500 outlets in Europe.

However, the bank argued that in fact customers had made relatively little use of the cheque guarantee facility abroad and did not expect any great demand for the new card. In emergencies, the cheque guarantee card can be a useful piece of plastic to carry, but the facilities now available from the range of credit cards carried by most executives leave few gaps.

Michael Blanden

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## A real incentive

OFFERING REWARD for work effort over and above the norm, or even worse over and above that of an employee's colleagues, is something that tends not to be discussed in polite industrial circles these days. However, the incentives business manages to struggle on in spite of the obvious industrial relations problems that potentially are involved. The largest single growth sector of the incentives business is travel, which is increasingly offered as a carrot in the commercial world.

Although the obvious area for such an incentive is in a corporate sales force ("increase your sales by 50 per cent. Blenkinsop and we'll send you to Bermuda for a week") incentive travel comes in useful in a dozen additional ways. Suffering from high staff turnover? Offer a 10 per cent subsidy on selected holidays for every complete year of service. Lots of absenteeism? Holidays can be given as rewards for regular attendance. Too many defects in the final product? Offer holiday aid for every time the production line gets things right. A little simplistic perhaps, but an indication of the way things are going.

The business of incentives is a growing one and one of the major areas of it, particularly for employee motivation, is travel. The basic reasons for this are not hard to trace. Travel is something which contains a high element of "dream" and is thus something which is likely to appeal to a very broad spectrum of employees. It also has the added attraction of being something which is likely to appeal to the spouse of an employee and thus the sales assistant will go off to work perhaps with a word of encouragement to try a bit harder today. "Do hurry into work on time dear, we need that break in Majorca."

Most of the major travel companies and airlines are now involved in the incentive travel market and over the years a variety of schemes have been produced which take care of some of the objections, both practical (once you start it how do you stop it?) and financial (what about the taxman?).

## Excursion

In many cases the incentive trip can be allied to a business excursion and thus benefit both employee and company. Holding sales conventions in exotic spots can be a considerable boost to corporate morale and can help sales if attendance is conditional upon reaching a certain norm. Not long ago I went to a small UK sales conference in a provincial French village restaurant. The company found it paid to stage its convention there than in a London West End hotel, even after the cost of an aged charter aircraft. Everyone seemed to think it was a jolly idea and it gave the employees a measure of warm feelings about their organisation.

However, if as an employer you are considering incentive travel as a means of motivating staff, do get more than one opinion. It is not going to cost possibly cost less so there is little point in indulging in it-yourself travel unless there is considerable travel expertise within your own organisation.

Unfortunately incentive travel, while a massive growth business both here and in the U.S., has not attracted the interest it might from the average travel agent.

Specialists in the field tend to know the traps and wrinkles of the game. For example, it is very easy when offering a trip abroad as a reward to spend an enormous amount on the flight and hotel, and then pull the financial carpet from under the prize winner. If your prize sales couple cannot in fact afford their rum punches when they get to Barbados you could find yourself with a disgruntled employee rather than a delighted one.

The good incentive trip organiser, be it for groups or for individuals will ensure the little touches which really drive home the message. A bouquet of flowers perhaps in the prize winner's room on arrival ("... welcome to Barbados Mrs. Jones, and congratulations on being married to the best salesman in the group. Signed John Smith, chairman").

Next year she'll carry his brief case to his car for him in order to get him out on the road early, and other spouses will get the message soon enough. It's a big bad motivational world we live in.

## Pricing

Larger companies may well be in a position to buy bulk rates for their incentive travel, but even the very small organisation is able to get advantageous pricing by linking with others through an agent. It need not all be exotic, of course. Rewards can range from simple country weekends and basic package holidays upwards. I know of one company which gives visits to Health Farms and harder today. "Do hurry into working personnel with visits to foreign markets to 'study' what happens in similar businesses there. The fact that these study trips tend to be to the Riviera, Spain and even California is something between the company's employees and the Revenue no doubt.

Drawing the line between what is business and what is holiday can be extremely difficult in these circumstances. Not long ago I was at a sales conference in Monte Carlo. The entertainment for the sales people was long and lavish, with lots of dancing and dining by flouit pools. But the work done during the day was impressive and the benefit to the company was probably far in excess of the considerable investment that had gone into it. Yes, the delegates all had a good time and returned to their northern climes with sun-tans and mild hangovers, but they also knew a great deal more about their business than they had before they departed. It is highly likely that the incentive travel market will continue to grow. This is particularly true since the giving of direct financial rewards (or effort is now made increasingly difficult by tax considerations, union involvement in salary scales and Government incomes policy. Perhaps we are approaching the time when more and more companies will offer not only holidays with pay, but also holidays with tickets—only to the employees they wish to keep, of course.

A.S.

# Hotels fill up the beds

THE NEXT couple of years prime needs of the business should prove interesting, if community which spurred the worrying for the regular large American groups into business user of hotels. The their growth in the fifties and main reason for this is that sixties.

These larger groups trade on apart from such spectacular exceptions as the Middle East, traveller has grown used to getting what he wants from Holiday Inn, Sheraton, THF or Ramada, why bother to change? In many cases the attitude is perfectly understandable and justified since most of the major groups do offer a uniformly high standard of facilities and service. But the cautious traveller will be aware that there are other options in many cities. Stick to the chains in London, for example, and you might never find the Stafford or the Capital. Hotel booking agencies and some of the chains of marketing co-operatives are very useful for digging out such gems.

Over-supply of hotel rooms was largely the result of the late 1980's boom in the travel market. As economies boomed and 747s entered the fleets of the world's airlines, so hotel industry investors poured money into new properties. Then came the recession and much of the new accommodation was left under-occupied. In London and Munich, Bombay and Nairobi, there were similar tales to tell. In spite of continued economic problems there were strong signs that the absence of major building for the past couple of years has produced a position in which cities can once more talk of bed shortage at certain times of the year. The cry of "house full" that went up over London recently may have produced some rapped knuckles at the London Tourist Board which, say the hoteliers, was a bit quick off the mark with its pessimism, but the trend is certainly there.

There are still parts of the world which are a buyers' market, particularly if you intend holding a conference. There has been a tendency of over-build in some parts of the Far East. I have even heard it suggested that the mid-eighties will see a surplus to accommodation in the Arab world such has been the rush to meet the new demand. In the major cities of the industrialised west, nonetheless, occupation levels are rising. Major hotels, however, rarely make their marketing play on the basis of rates. Usually the attractions offered are good locations, good basic services such as telephones, and the ability to react to the sudden need for conference or entertainment facilities. It was the or not you actually made that knowledge that these were the

The sad story of the hotel business over recent years as far as the traveller is concerned revolves around costs. Hotel tariffs seem universally to have risen faster than inflation. London's big rises came in the year 1976-77 when demand and supply came quite close to each other thanks to a successful business season being added in the touristic attractions of Jubilee year.

## Convinced

Exp-O-Tel, one of Britain's brighter hotel booking agencies, recently reported that the average rise in London hotel rates in the past 12 months has been about 30 per cent, but that this compares with 35-40 per cent in the previous year. Refurbishing the Ritz seems to have convinced the new owners Cunard that a higher rate is justified and its prices have risen by 25 per cent according to the agency, in the past year. This, however, is still beaten by the Holiday Inn, London W1, which has raised prices by 27 per cent.

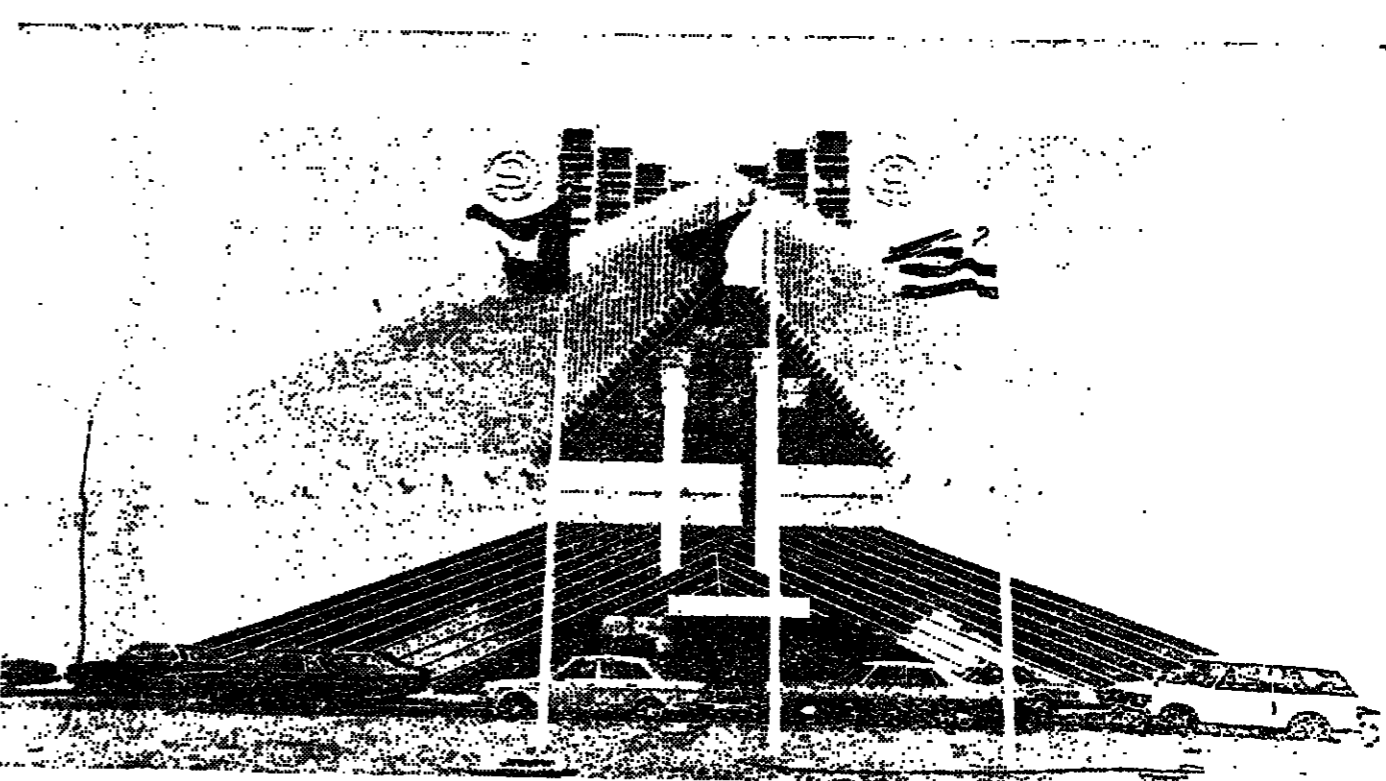
Those rival neighbours the Ian on the Park and the Inter-Continental now share the

doubtful honour of being the hotels in London with the highest published room rates. In both hotels a single room with bath and breakfast will produce a bill topping £50 for one night.

The London experience is not, however, unique. Hotels around the world are under the same pressures and basically those centre on the fact that employing labour is not inexpensive these days. Any labour intensive industry—and in spite of what some customers calling room service might think the hotel world is labour intensive—is likely to be suffering from rapidly rising costs.

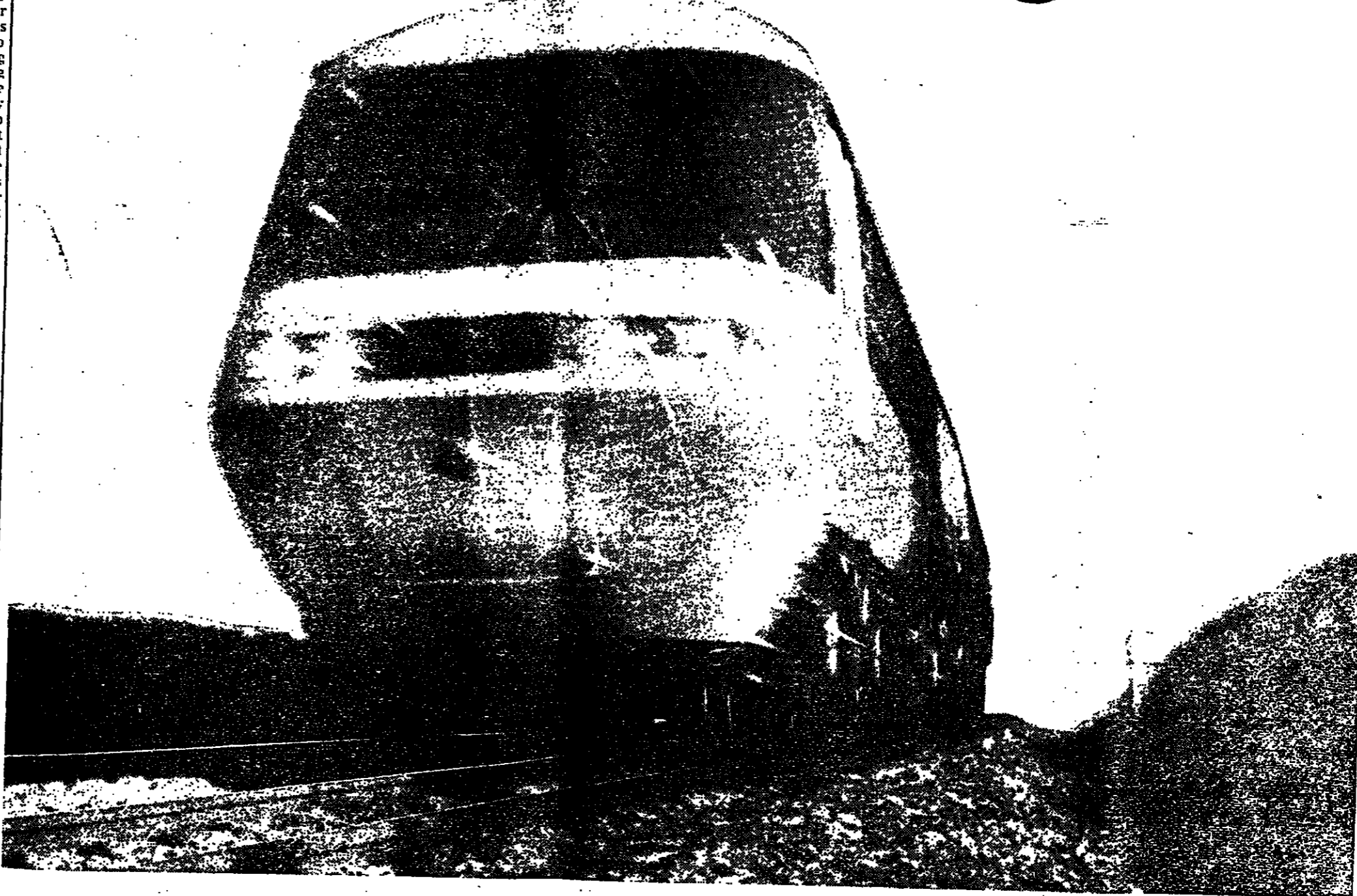
The result is, of course, that over the next few years present trends are, unfortunately, likely to continue. Hotel prices will rise and, sadly, hotel services other than at the very top end of the market, will decline. They may find a way of ensuring that guests can escape quickly in the mornings but I doubt very much if a way will be found to serve Vodka Martini, shaken not stirred, at 3 a.m. without payment of a king's ransom.

A.S.



The new Sheraton Hotel in Dubai which was opened last month.

# The new Journey Shrinker will help business grow!



## Specialist agencies

INTERNATIONAL TRAVEL tours to Majorca. may have grown quicker over the years, but it certainly has not grown simpler. The do-it-yourself traveller is likely to find himself in a maze of visas, airline schedules, currency restrictions (theirs not ours) health requirements and public holidays. It is hardly surprising therefore that in recent years there has been an explosion in the business travel specialist market. More and more companies are giving up the attempt at self help and turning to these specialist agencies, who themselves often turn their backs on the passing trade of conventional holiday package tourism.

As in other areas of the travel market the user of these specialist houses tends to be seeking convenience and service rather than a price saving. Although there has been a considerable growth in packaging for the business market the bulk of the business continues to lie normally offer a great deal more in the ability of the agent to produce the right tickets and tickets. If you are getting good service from your agency it will be telling you of health and visa requirements (and getting the visas for you rather quicker than a member of the public might get them) and warning you that the day you plan to arrive happens to be a public holiday. It will point out ways of saving money ("with just two more people on the trip, Sir, we could make it a tour and it would actually cost you less") and give you service at 5 a.m. on Sunday morning if you are in the sort of business that requires it.

## Commission

Although fees are sometimes involved the bulk of this activity is done at no direct cost to the consumer, the agency making its money out of the commission rates involved. In theory, therefore, the use of a specialist travel house should produce immediate and apparent savings to its customer both in administration and, if the agency is properly efficient, in the actual cost of travel.

Business travel specialisation involves a degree of extra work which many normal travel agencies seem unprepared to offer. It requires a high degree of expertise and a willingness on the part of the agent to develop a special understanding that with his clients, knowing the type of hotels which are preferred, whether some directors require lobster meals, knowing Gibson will sell you a week in that some senior executives will fly by train in preference to air if the possibility exists. This is the sort of mutual working relationship which involves a much higher standard of staff than many agencies can boast and therefore some agents prefer to turn their back on such complications and stick to selling

A.S.



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London-York	2hr 31min	2hr 10min	21min
London-Bristol (Temple Meads)	—	1hr 27min	—
London-Cardiff	—	1hr 43min	—



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AIR FARES apart, the world's scheduled airlines genuinely try to woo the business traveler, and the range of their artifices is vast indeed. Their problem is that they have very little room to manoeuvre, for under the rules of the International Air Transport Association, to which most of them belong, they are obliged to offer common fares, while in many instances they are obliged also to offer common standards of cabin service, also fly the same types of aircraft, and frequently also schedule their flights within minutes of each other.

As a result, most of their efforts to attract, and keep the business traveller, fall into two broad categories—what they can do within the rules to make his flight more comfortable, and what they can do on the ground to make his journey to, through and from the airport more convenient and to help make his stay more profitable to himself.

In the air, the IATA rules preclude extravagant meals or give-aways outside the first-class cabin (where it can be argued that the fares are so high that all the business traveller really gets, in addition to ample leg room, is the most expensive dinner in the world). As a result, their efforts to make life for the business traveller more comfortable are restricted to such things as trying to segregate him into a cabin along with others of his kind, so that he is not disturbed by the rest of the passengers (a boon on long-distance journeys, where some travellers tend to allow their children to run wild up and down the aisles to the annoyance of other passengers trying to rest or work).

On the ground, the airlines have much more freedom to act, and it is here that they can do most to help make things run smoothly. Many airlines now offer secretarial and translation services, help travellers make hotel bookings, provide exclusive transport into town, help to organise conference rooms, provide booklets in different languages setting out details of the country concerned, give priority in bookings to business travellers, and so on. The rivalry is endless, and there is hardly any scheduled airline in the world that does not do something in this way to make the lot of the business traveller easier.

### Bulk

It is right that they should. For, business travel is increasing. Despite the sharp swing towards cheap-fare consumerism among the major transatlantic airlines over the past nine months or so, the fact remains that business travel on the North Atlantic air route alone has increased dramatically in recent years. A report prepared for the International Air Transport Association on the basis of a major in-flight survey of passengers shows that business travellers in 1977 accounted for 28.8 per cent of the total traffic, compared with 21 per cent in 1976 and 19.9 per cent in 1975. This compared with 30.4 per cent for "vacation travellers in 1977," 27.9 per cent for those "visiting friends and relatives" (otherwise known as VFR traffic) and 12 per cent for the rest. This indicates that while non-business traffic still accounts for the bulk of the market on the North Atlantic route (that is, if vacation, VFR and "other" traffic is combined to form the non-business category), the purely business element is growing. Just how far this trend is being maintained in the current period of very cheap fares (first introduced last winter, with Budget Plan and Stand-By rates) remains to be seen, but the figures clearly indicate that the business travel element remains sufficiently large to ensure that the airlines cannot afford to ignore it, on one of the world's major air routes.

On many other routes, business travel is the mainstay of the system. Another IATA survey shows for example, that on routes between Europe and the Middle East traffic is growing faster than anywhere else in the world, at an average annual rate of about 21 per cent, and that by far the greatest proportion of the passengers are business travellers. A corresponding rapid growth is taking place between Europe and the Middle East and West Africa, again largely, if not wholly, as a result of the growth in business traffic.

One result of the recent swing to consumerism—that is, to cheap fares—is that current concepts of carriage, as they have evolved on the world's scheduled airline system over the past 30 years, with the businessman mainly in mind, may have to change. There is nothing strange in this. Contrary to many beliefs, the airline industry has always been flexible and responsive to change. Whereas in the early stages of post-war development the one-class system predominated, the pressures of demand quickly led to the establishment of new classes of travel, with Pan Am introducing the Tourist-Class seat in the early 1950s, that eventually gave way to the Economy-Class seat of today, together with the wide range of supplemental types of carriage, including today's Budget-Plan and Stand-By cheap fares. The Laker Skytrain concept of a no-reservations and no-frills service is attracting a number of businessmen obliged to make short-notice visits to the U.S. or UK.

### Developments

Among developments now being planned which could carry this concept of change even further are the provision of 11-abreast seating in the rear compartments of today's wide-bodied jets, such as Boeing 747s, and the possibility of a total restructuring of fares, involving the abolition of first-class as we know it today, and its replacement by a "business class" fare, at a little above today's economy fares. This would be accompanied by a "holiday class" fare for leisure travellers, with a few seats at the back end of the cabin for the last-minute Stand-By types of passengers. El Al of Israel has been prominent in promoting this change, but it has yet to find favour with the other airline business who believe that some such developments can be staved off for long, under the immense low-fare consumerist pressures now being generated.

In the meantime, British Airways is among the leading airlines which relies heavily on business travellers for a substantial proportion of its revenue—and in 1978-79 it is aiming to win at least £600m worth of business from this class of passenger, representing some 48 per cent of total revenues. The range of facilities that it offers the genuine business traveller is considerable, many of which are outlined in a new brochure, "British Airways and the Business Traveller," which is obtainable free of charge from the airline. This contains information on a large number of individual city centre package trips, trade fairs and exhibition packages, special rates for conference visitors and other items.

On a more immediately practical note, British Airways this year is improving the service it offers to its 50,000 world-wide "Executive Card" holders, by providing more executive lounges at airports such as Cologne, Geneva, Vienna, Budapest and Johannesburg, with a facilitator for many of the other such lounges round the world. In addition, several airports will offer more first-class check-in desks, some of which will be available to cardholders even if they are travelling economy-class. The already popular "two for the price of one" hotel deal, which currently offers a hotel room for husband and wife at a single rate at 180 hotels in 27 countries, is being extended to include more hotels and a greater number of destinations. For the first time, the Executive Card will also be backed by a fully computerised data file to control the card mailing list. This will confine the material received by cardholders to the subjects in which they have expressed a particular interest.

British Airways is also extending many of the back-up information services it provides for businessmen, including its popular series of information packs that in a pocket-size, quick-reference form contain printed cards with city and airport information, flight schedules and business contact addresses, for 24 countries throughout the world. BA is also producing a new, bigger issue of its "Businessmen's Guide to Eastern Europe," which in its new edition of 38 pages contains more information on business practices, hotels, restaurants and shopping facilities, plus a new section headed "Time Off," with details

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## BUSINESS TRAVEL VI

# The airlines work hard

of leisure, cultural and sporting activities.

Pan American, another of the world's major airlines which relies heavily on business travellers on many of its routes, is among those which has tried to make the lot of the business traveller more congenial. The airline admits that a substantial share of its revenues comes from a small group of repeat travellers who fly Pan Am frequently. As a result, the airline decided some time ago to establish what it calls its "Frequent Travellers" programme—a system which identifies these passengers to Pan Am employees through special identification cards, luggage tags and stickers on baggage. Various phases of Pan Am's staff training are aimed at telling employees how to "Recognise and React." As part of this programme, Pan Am includes a special Frequent Traveller section on all its 747s and 747 Special Performance long-range jets, whereby standards of comfort and service are higher than for economy class passengers, while the airline also produces a bi-monthly magazine for all Frequent Travellers with information about new routes and services, and other useful items. Last year, this programme continued to grow in both numbers and importance, says the airline, and while the programme is open to all applicants, "it is travellers who make at least five overseas trips annually who most appreciate its services."

### Aids

But even when all of these proliferating aids are taken into account, what the average businessman wants more than anything else from any airline is comfort, punctuality, reliability and safety. All of the in-flight gimmicks in the world, from "Frequent Traveller" sections to the ability to perform isometric exercises while sitting in his seat, will not compensate the business traveller for an aircraft that leaves late, that is dirty, or crewed by unhelpful staff, or is re-routed or otherwise delayed. What is most surprising to any frequent traveller around the world's scheduled airline network is how few of the operators really seem to realise how fragile this element of goodwill can be, and how easily they can destroy it by clumsy or tactless handling.

On the other hand, the business traveller himself has to accept that the overall pattern of world air transport is changing, and that what began in the period immediately after the Second World War as a mode of travel for the better-off is now becoming internationally accepted as the best way of getting anywhere. New generations are growing up who accept the aeroplane as a fact of life, with no feelings of wonderment about it, and little real appreciation of the problems or the pain that were involved in establishing the worldwide system of scheduled air services as we know it today.



Businessmen relaxing on a DC-10.

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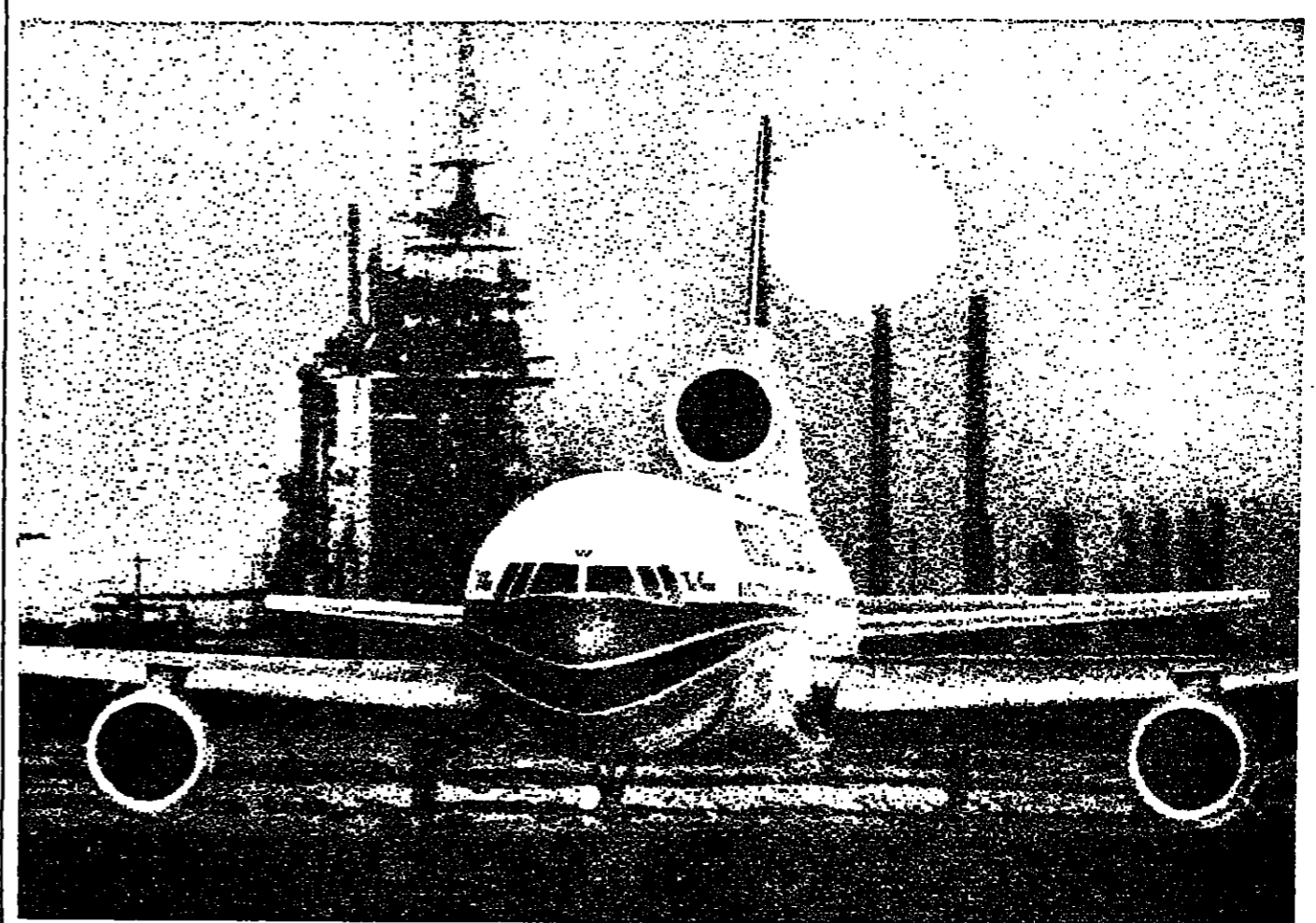
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# FINANCIAL TIMES

Tuesday May 23 1978

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## UK-Germany closer on growth measures

BY GUY DE JONQUIERES

BRUSSELS, May 22.

BRITAIN and Germany appear to have narrowed their differences over how to stimulate economic growth and stabilise currencies.

Mr. Denis Healey, Chancellor of the Exchequer, said after a meeting of EEC Finance Ministers here today that Britain was prepared to join other governments in studying detailed proposals for associating EEC currencies, including sterling, in some form of new monetary arrangement.

He said that the Ministers had instructed the EEC Monetary Committee, composed of Treasury and Central Bank experts, to prepare a range of alternative proposals and assessments of their impact on individual countries. The Ministers had agreed to discuss them at their next meeting on June 19.

He said that Britain's attitude would depend on a close evaluation of the schemes, which would vary in the degree of stringency imposed on participating currencies. But he emphasised that the UK would insist that any plan involving really tight links between currencies must be accompanied by a substantial transfer of resources from richer to poorer EEC members.

The Monetary Committee's report will also include possible permutations of the pooling of EEC reserves, wider use of the

European unit of account in the exchange rate mechanism and other ideas discussed by EEC heads of government at their meeting in Copenhagen last month, at which Chancellor Helmut Schmidt of West Germany called for new EEC monetary arrangements.

Britain's greater willingness to examine Community action in the currency field seemed to be matched by a softening of West Germany's attitude towards demands that it do more to boost its economy. The German delegation still refused to commit itself to taking any new measures.

### Doubts

Mr. Healey said that Herr Otto Schlecht, State Secretary at the Bonn Economics Ministry, who led the delegation, appeared impressed by other governments' expression of willingness to boost their economies. He promised to make their views known as part of the German Cabinet's discussions on growth policy.

According to Mr. Healey, four or five Finance Ministers said that their governments had decided on or were considering a monetary action. He added that Britain was not among them, but it could decide to do more in the autumn if other EEC countries agreed on a con-

certed monetary programme. The German delegation expressed severe reservations about the conclusions of a report by the European Commission, which listed, in descending order, the "room for manoeuvre" available to each country in contributing to such a programme. The list was headed by Germany, followed by the Benelux countries, with Ireland and Italy bringing up the rear.

It is understood that in the report submitted today the Commission had originally suggested that the 4.5 per cent average growth rate target set for mid-1979 implied national growth rates of 4 to 4.5 per cent for both France and Germany next year. But these recommendations were later omitted, apparently under West German pressure.

According to the Commission, the EEC's average growth rate will be as low as 3 per cent by the middle of next year and unemployment above its current level of about 6m unless present policies are changed.

Mr. Healey re-emphasised today that it was important for the UK to take as many decisions as possible at the next meeting of EEC heads of government in Bremen on July 6 and 7. This meeting is intended as a preparation for the seven-nation Western economic summit in Bonn later that month.

## Massey sheds staff as sales of tractors fall

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

MASSEY-FERGUSON, the Canadian-based multinational, announced 1,070 redundancies at UK plants yesterday. The 4,700 strong manual workforce at the two Coventry tractor factories will be cut by nearly 20 per cent.

Redundancies had been expected at Coventry in response to the fall in world demand for tractors. But the size of the cut has caused some surprise in the industry. The Banner Lane factory, Coventry, one of the largest tractor plants in the Western world, last year accounted for 27.5 per cent of Massey-Ferguson's 172,900 worldwide sales. Massey, with its heavy involvement in Third World markets, has been hit hard by the international recession.

### Turkish blow

Ford tractors at Basildon, Essex, which accounts for more than a third of Ford's world tractor sales, is considering more short-time working in July. Mr. Geoff Tiplady, managing director, last night said such a development was almost certain. Tractor production at International Harvester, which claims the third largest UK market share, has been hit by the strike of 4,000 clerical workers. About 3,000 workers at Doncaster have been made idle and output is at a standstill. At Bradford, about 700 are laid off and output has been hit.

As the leading manufacturer of agricultural tractors in Western Europe, Britain could hardly expect to escape the fall in demand from the record levels

of recent years. The downturn has also caused widespread redundancies and short-time working in the component supply industry.

The domestic market has held up well, but is still down from the peak of 1976. Sales in Western Europe are down, but there are hopes that the U.S. market may have bottomed out. Massey-Ferguson has suffered from its involvement in developing countries. The economic crisis in Turkey, to which the Coventry plant supplied about 8,000 tractors a year, was a particular blow.

The company said last night that orders for the Coventry plant were 15 to 20 per cent down from normal. About 80,000 tractor units would be produced this year against normal output of between 75,000 and 85,000.

Market studies do not indicate any upturn in demand, so labour is being Coventry, about 900 manual workers and 90 staff will be made redundant. At the Kilmarnock combine harvester plant the workforce will be cut by 50. Occasional short-time working and lay-offs would be necessary while the run down was implemented.

Massey has already cut its total UK workforce by 375 to 9,800 by natural wastage. The company will now be calling for early retirements and voluntary redundancies at Coventry and Kilmarnock. The extent of compulsory redundancy would depend on the response to that of agricultural tractors in export. The company has promised to pay workers "in excess of the statutory minimum."

## BNOC helps Deminex by-pass oil export restrictions

BY RAY DAFTER, ENERGY CORRESPONDENT

THE British National Oil Corporation is helping to boost North Sea oil exports to West Germany in spite of Government restrictions on overseas sales of UK crude oil.

Deminex, the German exploration and production group with a major stake in the Thistle Field, has been refused Government permission to export directly from the field more than 50 per cent of its North Sea oil.

However, BNOC is helping to meet West Germany's energy needs by selling some of its crude to Deminex's parents, which have interests in German refineries. They include Veba, the energy, chemicals, glass and transport undertaking, and Wintershall, a wholly-owned subsidiary of the BASF chemicals group.

The arrangement means the state oil corporation is helping Deminex and its main parents to by-pass UK export limits which have caused some concern with overseas exploration groups and which are being watched closely by the European Commission in Brussels.

The EEC is particularly concerned about the Government's ruling that all UK North Sea oil must be landed in Britain unless a special waiver is granted. Officials have been investigating this rule to see if it conflicts with EEC competition legislation.

Deminex was one of the first caught in the controversy surrounding Britain's landing and export requirements. Originally, it had ventured in the North Sea to gain crude oil for West Germany's refineries. Until recently, however, the Department of Energy has insisted that up to two-thirds of North Sea crude oil should be refined in the UK.

### Other partners

After considerable negotiations Deminex, which has a 42 per cent stake in the Thistle Field, was told it could export only half its share of production.

Now it is learned that BNOC has arranged to sell to West German refiners crude oil produced by other partners in the Thistle venture.

Apart from gaining access to

51 per cent of the Thistle crude, through participation deals, it has agreed to dispose of all oil produced by the smallest member of the partnership—Charterhouse.

It is understood that in addition, BNOC is arranging to sell all crude produced by Burmah which has an 8.1 per cent stake in Thistle.

It is expected that the first tanker load of Thistle crude to be exported shortly to Wintershall, West Germany, by the state corporation will be oil acquired from Burmah.

Lord Kearton, chairman and chief executive of BNOC, which is the operating company in the Thistle consortium, said last night that the deal was a normal commercial transaction. "All our deals are cleared with the Department of Energy. After all, we operate as part of the Government system."

Deminex in London said it was continuing to export half of its 41 per cent share of Thistle production. Tankers carrying its share of crude were alternating between British and West German ports.

## Dispute stops tank deliveries

BY NICK GARNETT, LABOUR STAFF

COMPLETED Scorpion light tanks have been marooned at the Alvis manufacturing works in Coventry for almost a month in a pay blacklist dispute between the Government, road hauliers and the Transport and General Workers Union.

Capel's Transport of Coventry, which has been working for the Ministry of Defence for 25 years, had its contract to haul Scorpions from the Alvis factory, part of British Leyland, to an Army depot near Andover withdrawn last month.

Capel's, following advice from the Road Haulage Association, of

which it is a member, declined to sign a contract clause certifying that it had complied with Government pay guidelines.

The company was party to a pay deal for West Midlands road hauliers last year which was viewed as being outside the guidelines. The association and the company felt that, as a result, it could not sign the clause.

Instead the company wrote to the Ministry that its pay deal last year had been signed between the local area of the association and the transport union.

The Ministry of Defence sub-

sequently told Alvis that there would be no more contract work with Capel's. Since then, however, the Ministry has failed to find another haulier to do the work.

Mr. Alan Low, the transport workers' regional trade group secretary for the Midlands, said yesterday that union drivers would not handle the work unless Capel's was given back the contract.

### Export

At the same time the workers at Alvis who load the Scorpions have been instructed not to deal with any company but Capel's in the despatch of these particular Scorpions.

It is understood that the delivery of Scorpions to the docks for export, which is handled by other hauliers, is not affected.

Capel's said it normally transported four of the vehicles a week and was the sole haulier of Scorpions for the home market. The contract was worth £10,000-£12,000 a year. Although the company wanted the contract back it could stand the loss.

The Ministry of Defence said the contract had been withdrawn because Capel's had refused to sign the undertaking and had therefore "disqualified" itself.

These particular Scorpions are intended as reserve stock but would eventually be sent to the Army in Germany.

The association said Capel's had no option but to comply with a local wages agreement and the Government's action was "as iniquitous as it is absurd."

The association has submitted new figures to the Department of Employment in an attempt to show that deals concluded by road hauliers, including those in the West Midlands, were not outside guidelines.

## Government corrects pay policy advice

BY CHRISTIAN TYLER, LABOUR EDITOR

THE GOVERNMENT yesterday corrected its pay policy advice to avoid breaches of contractual obligations.

Mr. Albert Booth, Employment Secretary, said in a House of Commons written answer that people on incremental salary scales who had been refused a rise that would take them over £8,500 a year under the first phase of the increased pay policy could restore their position immediately.

In some cases, the Department had ruled that those people must await their settlement under Phase Three. In fact, they could be consistent with pay policy "rise to that point of the incremental scale they would have occupied from August 1 last year, and payment could be backdated."

It was not until the beginning of Phase Three, on August 1 last year, that a cash ceiling on pay rises was removed, and those on higher earnings could achieve the

same percentage rises as the lower paid. Year-by-year rises on pre-determined incremental scales were exempt throughout, except for the £8,500-a-year earners in Phase One.

The cost of such adjustments would have to be offset against the 10 per cent limits of Phase Three.

If a Phase Three settlement had already been made, the cost should be deducted from the next annual settlement.

The Employment Department said last night that the numbers affected by the Minister's announcement would be small, as would the cost of the adjustment.

Incremental scales are common among white-collar public sector employees and some of the larger companies in the private sector.

Postman's leader raises hopes of incomes deal Page 9

Continued from Page 1

## Volvo joint concern

from the agreement with Norway. It will remain 100 per cent Swedish for security reasons.

Svenska AB Volvo, the new Swedish holding company, is to be approved by the Norwegian Parliament. The association has submitted new figures to the Department of Employment in an attempt to show that deals concluded by road hauliers, including those in the West Midlands, were not outside guidelines.

is to be worked out in detail by October 15 and is scheduled to become effective from the beginning of next year. It will have to be approved by the Norwegian Parliament.

Mr. Gyllenhammar reiterated a previous denial of reports that Volvo had asked the Swedish Government for a Kribo loan to develop a new car.

## THE LEX COLUMN

# Norwegian fill-up for Volvo

For Volvo, the agreement in principle with the Norwegian Government announced yesterday will bring in SKr 750m (£89m) of badly needed new equity plus the scope for subsidised diversification into a country in which its current involvement is quite small. It will also take it into a brand new field of activity, in the shape of rights to participate in the search for oil on the Norwegian continental shelf.

For Norway, this investment in Sweden's biggest privately-owned business represents an important step in its efforts to convert future oil revenues into employment, rather than imported consumption. The cash will come from a new holding company quoted on the Oslo stock exchange: the Norwegian Government has guaranteed that enough funds will be available. On paper, Norway seems to be getting into Volvo at an attractive price. The current market capitalisation is about SKr 1.5bn, which suggests that the new shares are being bought at an effective discount of nearly a fifth. The dilution in terms of Volvo's net assets is even greater, since shareholders' equity amounts to nearly SKr 2bn and untaxed reserves to a further SKr 4bn.

However these calculations do not take into account any future equity in the new oil company, which will be 100 per cent owned by the original shareholders. The agreement is said to pave the way for discussions between the Norwegian and Swedish authorities concerning "a long term delivery agreement, covering very large quantities."

In addition, Volvo has not been negotiating from a position of great financial strength. Its return on capital employed has fallen from 12 per cent in 1973 to 5 per cent in 1977, and the proportion of net worth to total assets dropped from 30.3 to 22.6 per cent over the same period. Assuming the new deal goes through, this figure will only recover to about 26 per cent. The group's international market share started to recover towards the end of last year, and a recovery in profits has already been forecast for 1978. But last year's abortive merger talks with Saab-Scania underlined the growing pressures on a medium-sized motor company with international ambitions. With just 4,000 of its 60,000-strong workforce currently employed in Norway, Volvo is holding its own only by paying close to the at the most 30 per cent capital

gains tax (and then only on the cash proportion) on the deal. Without Inland Revenue approval such a scheme would be prohibitively expensive. Progressive income tax rates would for example mean that the company chairman, Mr. N. H. Sharpe, would be subject to the highest tax rate of 88 per cent on a large part of his proceeds were the distribution to be treated as income.

Sharpe has been forced into the scheme of arrangement because of numerous takeover approaches. The directors decided that their best protection was for shareholders to sell the company to themselves, while at the same time draining off the £5m cash. Yet the Inland Revenue only gives approval for such schemes under Section 480 of the Income and Corporation Taxes Act 1970 provided there are bona fide commercial reasons for undertaking them. Does this decision mean that a threat of being taken over will be enough for a substantial cash repayment to qualify under Section 480 in future? If it does, maybe GEC should look around for a potential bidder.

### Greenall/Shipstone

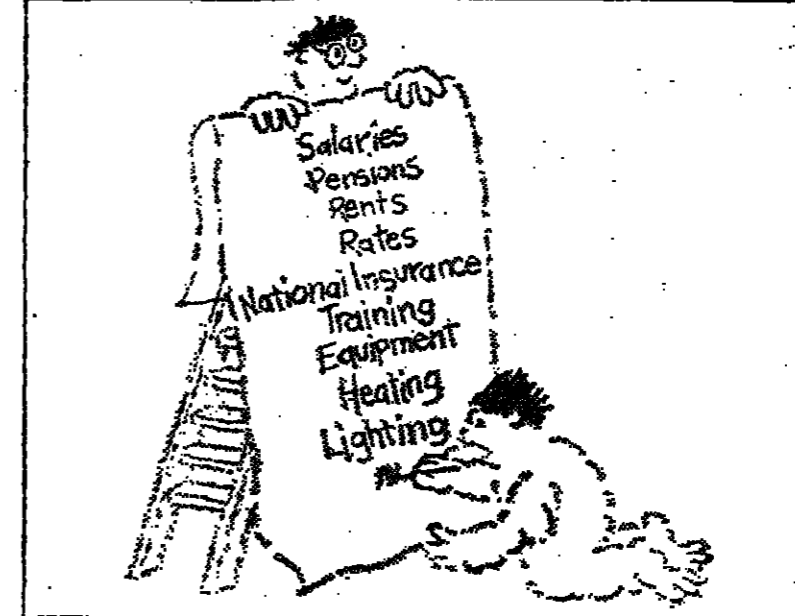
Even within the trade different people have very different ideas about what a brewery is worth. That much is clear from Greenall Whitley's agreed £194m bid for James Shipstone. Only six weeks ago Northern Foods, which in terms of market capitalisation is nearly twice Greenall's size, baulked at paying more than £12m.

Greenall admits that the price is high. It is paying 20 times earnings for a group with a rather dull profits record. But opportunities to acquire 384 outlets and move into a new market do not come along every day and Greenall obviously believes that it can develop Shipstone's free trade and take advantage of its under-utilised brewing capacity. At least it is acquiring the company at a discount of around a seventh to its net worth.

Given the substantial cash element in the consideration, the deal is not going to mean much dilution for Greenall's shareholders and in a full year the combined group should be capable of producing pre-tax profits of £15m. Ex-Shipstone, Greenall should be able to push its profits up from £10.2m to close to £12m. In the current year.

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